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Depot Maintenance--Capacity and

**DEPOT MAINTENANCE—CAPACITY AND
RESOURCES FOR FUTURE WORK**

HEARING

BEFORE THE

READINESS SUBCOMMITTEE

OF THE

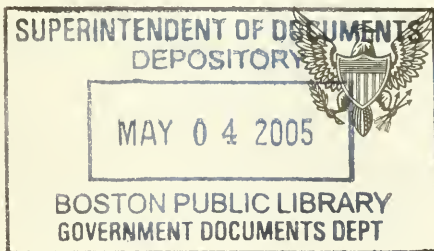
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

HEARING HELD

JULY 20, 2004



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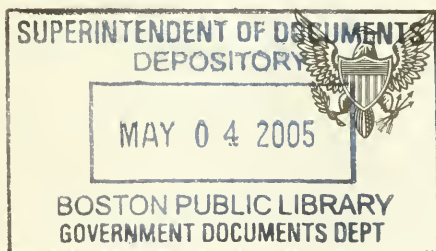
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TUESDAY, JULY 20, 2004

DEPOT MAINTENANCE—CAPACITY AND RESOURCES FOR FUTURE WORK

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DEPOT MAINTENANCE—CAPACITY AND RESOURCES FOR FUTURE WORK

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
READINESS SUBCOMMITTEE,
Washington, DC, Tuesday, July 20, 2004.

The subcommittee met, pursuant to call, at 1:32 p.m., in room 2118, Rayburn House Office Building, Hon. Joel Hefley (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOEL HEFLEY, A REPRESENTATIVE FROM COLORADO, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. HEFLEY. The committee will come to order. Good afternoon and welcome to the Readiness Subcommittee's oversight hearing on depot maintenance. The subcommittee is gathered today—not many of them, however—but we are gathered here today to learn to what extent each service has an oversight plan to handle the depot maintenance requirements for equipment returning from Iraq and Afghanistan.

The military services are currently planning the rotation for OPERATION IRAQI FREEDOM (OIF) 3 and OPERATION ENDURING FREEDOM (OEF) 6. This question the subcommittee wants to investigate today is at what pace, and when, equipment that is undergoing high usage rates in austere conditions will return in order to receive the necessary depot maintenance. The subcommittee is concerned that a bow wave of equipment will return, but the services may not have conducted the necessary planning or requested the necessary funding to perform all the of necessary depot work in a timely fashion.

The subcommittee touched upon this issue last October in the hearing, "Resetting and Reconstituting the Forces." In that hearing the vice chiefs of all the services testified to the importance of resetting the forces. Today's hearing should present the plan for resetting the forces.

The Army and Marine Corps have the largest presence in Iraq and Afghanistan, and thus will be facing the most amount of depot maintenance work. I am concerned that both the Army and Marine Corps have a funding shortfall in fiscal 2004 for depot maintenance. I believe the Army's funding shortfall this year is approximately \$250 million.

Lieutenant General Kelly, the Marine Corps witness today, states in his written statement that the Marines won't be able to identify until next month the unfunded depot work that exists. Let

me state up front that I would be very interested in that information when it is available.

I would also like to know from both services the immediate and long term consequences that the shortfall presents. In addition, I am aware of a study being conducted at the Department regarding stresses on the force. I am interested to know to what extent the services have provided data for this report and to make my request now that the report, when finished, be provided to the subcommittee.

Before I turn to the witnesses for their opening statements, I would like to turn to my partner up here, Solomon Ortiz, for any opening comments he would have.

STATEMENT OF HON. SOLOMON P. ORTIZ, A REPRESENTATIVE FROM TEXAS, RANKING MEMBER, READINESS SUBCOMMITTEE

Mr. ORTIZ. Thank you, Mr. Chairman, and thank the panel for being with us today. Mr. Chairman, thank you for calling this hearing. It is a very important subject, and it goes straight to the heart of our military readiness.

Our depots and arsenals are truly an amazing and vital national resource. Last week, I had the opportunity to visit Rock Island Arsenal in Illinois. As always when I visit such places, I was greatly impressed by the dedication of those fine men and women and I am very interested in what our panel has to say.

I don't want to take a lot of time this afternoon with my statement, but I do want to share some of my concerns with you. Today, I hope our panel will address their service requirements and what shortfalls they perceive. I want to make sure we are making prudent decisions now and not risking our readiness in the future. Do we understand the requirements? How much of a backlog in equipment is there, and do we have a plan on how to take care of it? Is the level of resourcing sufficient?

I am mindful that the Army, for instance, has received \$245 million less than what it requested; and I think that the Marine Corps is likely to have a significant amount of unfunded depot work in Fiscal Year 2005. I cannot help but believe this might be short-sighted.

I am not sure we have complete disability on our future requirements for depot maintenance. I think some of these decisions were made with the assumption that the demand for our forces would be tapering off by now, but that is not happening. Troop level and operating tempo remains high. I know that our maintenance personnel are working miracles in theater in various austere conditions, but I predict we will see a significant growth in the maintenance requirements for the future. Do we have any idea what that will be?

When we finally see that surge of requirements, I want to be sure we have the capacity to deal with it. We have got to be careful with how we manage our labor force. I know sometimes we hear the argument that we don't want to have more depot employees because this is just a temporary surge, but I don't believe contracting out this requirement is the answer.

Our depot workforce is aging, and this is the perfect opportunity to bring new apprentices, to bring them now so that we have experienced journeymen we need in the future when much of our current workforce begins to retire in just a few years. If there is a surge, the labor force will right-size itself again through the national career cycles of our retired working people.

Thank you again, gentlemen, for being with us; very happy to see all of you.

Thank you, Mr. Chairman.

Mr. HEFLEY. Thank you, Mr. Ortiz.

I would like to introduce our panel now. Major General Mitchell Stevenson, who is the Deputy Chief of Staff for Logistics and Operations for the Army Materiel Command. He is accompanied today by Mr. Gary Motsek, Deputy G3 for Support Operations, the U.S. Army Materiel Command. Rear Adm. Mark Hugel, Deputy Director, Fleet Readiness Division for the Department of the Navy; Lieutenant General Donald Wetekam, Deputy Chief of Staff, Installations and Logistics for the Department of the Air Force; and Lieutenant General Richard L. Kelly, Deputy Commandant for Installations and Logistics for the Marine Corps.

General Stevenson, we will start with you and work down the line there, I guess.

STATEMENT OF MAJ. GEN. MITCHELL STEVENSON, DEPUTY CHIEF OF STAFF FOR LOGISTICS AND OPERATIONS, UNITED STATES ARMY MATERIEL COMMAND, DEPARTMENT OF THE ARMY

General STEVENSON. Chairman Hefley, Congressman Ortiz, other distinguished members of the committee, thanks for the opportunity to appear before you today to share the tremendous work our depots are performing in support of the global war on terrorism. I have submitted a statement for the record, but I would just like to take a moment and mention a few points from that statement.

First, as you know, the Army's fully engaged around the world in the global war on terrorism; and our equipment in Southwest Asia is operating at three to five times its normal operating tempo—much of it under some very tough conditions. And this is, of course, resulting in a higher than normal demand for depot-level maintenance.

Your Army depots are performing magnificently. We have already inducted quite a bit of the equipment that required depot-level maintenance from our first rotation that we refer to in the Army as OIF 1. They have risen to the challenge of a significantly increased workload in a very short period of time, not just for the Army but for all the services for whom we do depot maintenance, and not just here in the continental United States but also overseas. We expect this level of activity that we have seen this year in our Army depots to continue in the coming year.

I believe the work we have seen this past year in our Army depots demonstrates the value of an organic industrial-based maintenance capability, and this is probably no better seen than in the seven depots and arsenals who rose to the challenge of producing add-on armor plating and kits for the Humvees—an effort that

went from concept to production in less than three months, ensuring that our soldiers operating in OIF and OEF got the protection they required for the vehicles that they operate in as fast as it could possibly be done. Already over 8,000 Humvee armor kits have been produced and installed on just our Humvee fleet, and we could not have accomplished this with our organic base.

Army depots have enjoyed tremendous support from this committee, and on behalf of the Army I would like to thank you for that and hope that you will continue to be able to provide that support. Especially important to us as we head toward the change in fiscal years is timely release of funds so that we continue the mission of supporting our soldiers, sailors, airmen and Marines without skipping a beat as we cross fiscal years. Thank you.

[The prepared statement of General Stevenson joint with Mr. Motsek can found in the Appendix on page 25.]

Mr. HEFLEY. Mr. Motsek, do you have a statement you would like to make?

STATEMENT OF GARY MOTSEK, DEPUTY G3 FOR SUPPORT OPERATIONS, UNITED STATES ARMY MATERIEL COMMAND, DEPARTMENT OF THE ARMY

Mr. MOTSEK. Certainly. I would simply align myself with my boss' comments; but just to add one comment from Mr. Ortiz's opening statement is that, sir, the surge is here already. We are already surging at our depots, and we will continue for the next several years.

[The prepared statement of Mr. Motsek joint with General Stevenson can be found in the Appendix on page 25.]

Mr. HEFLEY. Admiral.

STATEMENT OF ADM. MARK HUGEL, DEPUTY DIRECTOR, FLEET READINESS DIVISION, DEPARTMENT OF THE NAVY

Admiral HUGEL. Chairman Hefley, Congressman Ortiz and distinguished members of the subcommittee, good afternoon. I am extremely pleased to testify before you along with my service counterparts on the impact to depot maintenance workload resulting from the global war on terrorism. Through your generous support, the Navy continues to enjoy a high level of readiness and is able to project significant combat power in support of the global war on terrorism. With your permission, I would like to make a brief opening statement and submit my written testimony for the record.

As you are well aware, the Navy is a rotational force designed to project combat power throughout the far reaches of the globe. To support this goal, we have adopted a strategy known as the Fleet Response Plan. This plan allows us to deploy 6 carrier strike groups within 1 month followed by 2 additional carrier strike groups within 90 days.

In order to meet the goals of the Fleet Response Plan, the maintenance communities, both air side and ship side, have been engaged in deploying several new maintenance initiatives designed to increase our overall effectiveness of the depots while lowering repair costs incurred by the taxpayers.

I will briefly describe what I believe the heart of the issue is as it relates to the Navy: Sustaining our ability to maintain and de-

liver ready ships and aircraft to support fleet operations. The four public ship yards and three Navy and Marine Corps aviation depots, coupled with their civilian counterparts, have responded superbly to meeting the increased demands and supporting the global war on terrorism and allowing the Navy to continue to project overwhelming combat power in support of the forces in the field.

As an example, the Navy's presently demonstrating the ability to react to surge requirements in an exercise called Summer Pulse 2004. Seven carrier strike groups are simultaneously involved in a concrete demonstration of our combat power around the globe.

To support such operational requirements and enable our sustained employment of the Fleet Response Plan during Fiscal Year 2004, the Navy will execute 79 complex maintenance availabilities at a cost of \$3.6 billion on its surface ships and submarines. To date, the Navy has completed 39 of those availabilities, 26 are in progress, and I am confident that the remaining availabilities will be inducted in 2004.

In conjunction with the ship depot maintenance community, our Navy and Marine Corps aviation depots, along with industry, will repair an impressive 2,949 air frames, engines and associated aircraft components. While determining specific work items to be placed in our depots, the decision to repair versus replace equipment must be made.

For ship and submarine equipment, the decision is driven by the cost tradeoff between repairing components to the prescribed technical operating standards versus replacing those components. That decision can be made by shipboard repair technicians if the repair is within their capability or maybe recommended by our fleet technical support personnel or engineering personnel in our depots.

For aircraft engines and components, the Aircraft Program Offices perform business case analyses to determine repair versus replacement decisions. The results of these business case analyses classify all of the removable parts as either repairable or consumable based on best value. If the item no longer needs to maintain its design capability, the Program Office in conjunction with the fleet reevaluates the item service life. During the process, the item is reevaluated for repair or replacement, insertion of new technology, or modernization. We then choose whichever path provides the best overall value to the Navy.

As we move into fiscal 2005, the Navy will increase its surface ship and submarine workload and will execute 105 surface ship and submarine complex availabilities at a cost of about \$4 billion. The aviation maintenance community will similarly increase its workload and repair 3,312 air frames, engines and components at a cost of about \$2.8 billion.

In supporting the requirements on the global war on terrorism, the Navy remains compliant with all 50/50 requirements for fiscal 2004; and I am confident we will remain compliant in fiscal 2005. Furthermore, your Navy will continue to be prepared to address any surge requirements in response to national tasking without having to significantly change the workload balance of the public and private sectors.

Critical to this ability to provide sustained support is the state of our personnel manning in the depots. I am happy to report to

the subcommittee both our ship and aviation maintenance communities have the necessary people to support the remaining requirements in fiscal 2004 and the projected requirements for fiscal 2005. This is made possible through constant monitoring of the aviation and ship depots maintenance workloads. Adjustments to the workforce are made to efficiently address those workload fluctuations. Such adjustments include hiring touch labor and optimizing the national ship maintenance industrial base using the one shipyard initiative.

During fiscal 2004, the ship depot maintenance community asked for and received \$600 million; and the aviation depot maintenance community received \$175 million in supplemental funding. This much-appreciated and critical funding was effectively used to offset costs incurred as a result of the global war on terrorism and was not part of our peacetime budget submission.

In closing, please know how grateful our Navy is for the continued support of this committee. Your efforts have been critical in allowing us to enjoy an unprecedented level of current readiness and offer an impressive outlook for the future as well.

Again, I wish to thank the committee for offering me the opportunity to appear before you today, and I will be happy to answer your questions.

[The prepared statement of Admiral Hugel can be found in the Appendix on page 30.]

Mr. HEFLEY. Thank you, Admiral.

General.

STATEMENT OF GEN. DONALD WETEKAM, DEPUTY CHIEF OF STAFF, INSTALLATIONS AND LOGISTICS, DEPARTMENT OF THE AIR FORCE

General WETEKAM. Chairman Hefley, Congressman Ortiz, and distinguished members of the subcommittee, I thank you for this opportunity to present the Air Force position, a status on our depot workload that is returning from the global war on terrorism.

The Air Force remains committed to maintaining ready, responsive depots with modern facilities and a highly qualified workforce. I believe that that commitment is evidenced in improved performance over the last three years as we and the members of our joint team provide the readiness and support our war fighters require around the globe.

We are proud of the accomplishments of our depot workforce, and we are appreciative of the staunch support that this committee has provided, and we thank you for that support.

I offer my written comments for the record and look forward to our discussion on this important topic.

[The prepared statement of General Wetekam can be found in the Appendix on page 39.]

Mr. HEFLEY. General

STATEMENT OF GEN. RICHARD L. KELLY, DEPUTY COMMANDANT FOR INSTALLATIONS AND LOGISTICS, UNITED STATES MARINE CORPS

General KELLY. Chairman Hefley, Congressman Ortiz and distinguished members of the committee, I am honored to be before you

today representing 215,000 active and reserve Marines. My detailed statement has been submitted for the record.

The message I bring to you today is your Marine Corps remains fully committed to serving our Nation's security interests by providing forward-deployed expeditionary naval forces. Although we are encountering logistics challenges we have not experienced in years, we are taking deliberate steps to ensure our equipment readiness remains high. Just as we monitor the operational stress on our Marines, we are also keeping a close eye on the operational stress being placed on our equipment.

Our equipment, new and old, is experiencing higher than projected usage rates under tough combat conditions; but our logistics Marines and civilian Marines worldwide are up to the challenge.

One initiative being developed by our logisticians is a web-based enterprise management tool we call the Total Life Cycle Management Assessment tool. This tool will greatly assist us in our stress on the equipment study, giving us the data and information that will allow us to make sound, prudent, mission-focused equipment decisions beginning this fall.

As we focus on the current fight, we also are creating our logistics future through an intense effort we call logistics modernization. This is the most comprehensive approach we have ever taken to improve Marine Corps logistics end to end with a laser focus at the tactical level. Logistics modernization is deeply rooted in supply chain management education, proven best practices, a sound business case, and changed management.

The end state will be integrated and interoperable supply maintenance and distribution processes as never seen before. We will use proven, commercial off-the-shelf software built by commercial standards as our logistics backbone. Our performance levels will be equal to or better than those we experience each day in our private lives. The lessons learned and relearned from the Gulf War, Somalia and OPERATION ENDURING FREEDOM and IRAQI FREEDOM are being firmly addressed.

In closing, you have every reason to be proud of the contributions and sacrifices of the women, men, and families of your Marine Corps and their counterparts in the Navy, Army and Air Force. I thank you for your support, the opportunity to appear before you today and to take your questions.

[The prepared statement of General Kelly can be found in the Appendix on page 46.]

Mr. HEFLEY. Thank you very much.

Mr. Ortiz

Mr. ORTIZ. Yes. General Stevenson, I have a question. In your statement, you say that the Army's repairing battle-damaged aircraft, not just at the Corpus Christi Army Depot but at some Army troop installations as well. Why isn't this work being done at the depot, and who is performing the maintenance?

General STEVENSON. Sir, in the case of both crash and battle-damaged aircraft, we categorize the damage into basically two categories: Major crash battle damage and minor. All the major crash battle damage is done at Corpus Christi Army Depot. The minor crash battle damage that doesn't require test fixtures or any of the unique capabilities that you have in a depot that can more easily

be done on site at the home installation, we do there, in some cases by providing depot work from Corpus Christi forward to advise the workers that are doing the work there. But all the major work is in fact—and the tough stuff, most of which is not yet completed because it literally takes years to complete, is being done at Corpus Christi.

Mr. ORTIZ. Are contractors captured in the 50/50 labor rules?

General STEVENSON. Sir, any contractor that performs depot-level work is captured in the calculation that we do in the case of the 50/50 calculation. I do need to point out, though, that the majority of the aviation maintenance work you see being done on installations is part of a program we call STIR, the Systematic Tear-down and Inspection and Repair Program, that we are putting all of our aircraft through that come back from operations from the desert. Most of that work is not depot-level work but is just a tearing down, inspecting and replacing as required. Those workers are not doing depot-level work in most of the cases; and, therefore, we do not calculate that contractor work as part of the 50/50 calculations.

Mr. ORTIZ. How do you manage quality control if some of the work is being done outside the depot? We want to be sure that our men and women get the best of the equipment after it has been fixed or even before it has deployed. Who manages quality control?

General STEVENSON. That is exactly why in the rare cases that we do depot-level work on site, we move a Corpus Christi worker forward to ensure that it is done to standard.

Mr. ORTIZ. How many workers do you have now in Iraq, and I am talking about the civilian workforce that you have, not only Corpus Christi but the entire depot system?

General STEVENSON. We have, I think at last count, just over 100 depot workers operating in Iraq and Kuwait today. None of those that I can recall are from our Aviation and Missile Command. Most of them are from our Tank Automotive Command doing work on track and wheel vehicles.

Mr. ORTIZ. And I have just one more question, General Kelly. I see you specifically mentioned that the Marines have hired temporary employees as a way to deal with the surge in requirements. What level of benefits do Marine Corps temporary employees enjoy? And I know that some of them now have been temporary for some time. Maybe you can enlighten me a little bit on that.

General KELLY. Yes, sir. I think you may be referring to the 170 that we brought on, temporary employees. Our baseline force for both of our depots at Barstow and Albany is about 1,500 civilian Marines. We brought an additional 170 on primarily to do the vehicle hardening work, which is a 24-hour operation, 5 days a week, primarily for that. We brought them on about three months ago, and we will continue to employ them so long as we have hardening requirements from in-theater. Some of those employees are also providing additional work for normal equipment going through the depot as well.

Mr. ORTIZ. The reason I asked you this question is that when I visit some of the depots and we talk to temporary employees, they see that they perform an outstanding job, taking care of our men and women up in the front lines in harm's way; but it seems to me

that we don't take care of temporary employees because they cannot provide their families health insurance and some of the benefits. Does this discrepancy hurt the morale of the employees?

General KELLY. Sir, I can say that an important part of United States Marine Corps culture, and this applies both for our uniformed families as well as our civilian ranks, which we are 100 percent committed to in the depots, for not just the temporary employees but the 1,500 baseline employees, it is most important to remain and keep good faith with them consistently over time. And to do this it is best to be able to provide them some level of confidence, for the employees and their families that have moved into Albany, Georgia and Barstow, California, fairly remote areas.

It is most important to keep faith to provide a work load that will keep them employed so they count on employment. Because there are periods, such as we saw after the Gulf War, where we really needed their help and they stepped up to the plate; and once again we are going to have to be hiring some additional folks, and they will step up to the plate again. But the recruitment process in both of those areas is difficult. It takes, in many cases, relocation of families and individuals.

So my basic message is keeping good faith with our core capability, and if we bring on additional people, we should try to keep them on for a sustained period of time.

Mr. ORTIZ. But we are not providing the health benefits and other benefits for these temporary employees or are we doing it now?

General KELLY. Sir, I need to get back with you to answer specifically that question. I do not know, but I would like to take that question for the record.

Mr. ORTIZ. Thank you.

Thank you, Mr. Chairman.

Mr. HEFLEY. Thank you.

Mr. Cole?

Mr. COLE. Thank you, Mr. Chairman. I just have a couple of quick questions.

I hope I pronounce this—is it General Wetekam?

General WETEKAM. Yes, sir, it is Wetekam.

Mr. COLE. Wetekam. Pronounce that one more time for me.

General WETEKAM. Wetekam.

Mr. COLE. Wetekam. I thought so. Make sure I got it right. Thank you very much for your indulgence.

Mr. HEFLEY. The confusion started right here with the chairman, there is no question, and I apologize for that. [Laughter.]

Mr. COLE. Well, I follow my chairman everywhere.

Mr. Wetekam, if I may, I am particularly interested—Tinker Air Force Base is in my district, and I have a profound interest and appreciation, quite frankly, for what you do. You guys do an incredible job. I know one of the problems that they are concerned with longer term is the aging of their workforce, the civilian workforce, a percentage of it, which is very high, within five or six years of retirement. These are exceptionally skilled workers who provide very high quality service.

And so I would just like your comments on the quality and the state of your workforce and what you are doing to make sure that

you have got a follow-on workforce with comparable ability as these people begin to retire.

General WETEKAM. Yes, sir. Thank you. The average age right now of our depot workforce, composite depot workforce, I don't have the specific numbers for Tinker, but for all 3 of the air logistics centers is about 46 years. That has actually moderated some in recent years because it was increasing at a significant rate through the 90's; but particularly in the last few years, as we have transferred workloads from Kelly and from Sacramento to Tinker, Warner Robins and Hill, we have seen that moderate some because there has been some new hiring requirements that have come in.

The problem, if you will, is still there. It is certainly with us, because a large percentage of those are retirement-eligible in the next five years or so, and we are seeing a number of those retire each year. But with increased hiring over about the last five to seven years, the problem has tended to moderate; and we have really seen the average age tend to flatten out, which is a good thing for us.

Relative to what we do for each of the air logistics centers, each center, Tinker especially, has a very robust recruiting program and also a training program which grows every year. They have tech training cooperative agreements there in the Oklahoma City area with a number of institutions; and each year that becomes more robust and really helps us to address that problem, the recruiting issue to which you refer.

Mr. COLE. So you are pretty comfortable that those programs, which I am very familiar with, and they have grown tremendously, are giving you the quality of workers you need to maintain the type of workforce you want?

General WETEKAM. Yes, sir, we are. There is always some concern, if you will, but we have seen those programs continue to meet our needs. And, of course, we have been expanding those in recent years, but we have been able to continue to meet the needs of the Air Force.

Mr. COLE. One of the earlier speakers mentioned with respect to equipment, particularly for the Army, that it was being used at a pace of roughly three to five times what had been anticipated pre-Iraqi Freedom. Is there a comparable statistic for air frames and for the Air Force?

General WETEKAM. No, sir, not across the entire fleet. There certainly are pockets or different specific weapons systems that are used at a higher rate than we would have predicted, for example, C-130 aircraft. But in actuality, our usage of our equipment has moderated significantly, particularly after the initial months of OPERATION ENDURING FREEDOM and then the initial months of OPERATION IRAQI FREEDOM.

We have been operating at a fairly increased OPSTEMPO, if you will, for a number of years, and, in fact, we have about the same number of aircraft deployed right now as we had throughout the decade of the 90's supporting OPERATION SOUTHERN WATCH and NORTHERN WATCH. And so our depots really have been operating at a partial surge, if you will, for a number of years; and we have actually come to size our workload and our capabilities to support that.

And so while we see certain pockets in specific weapons systems that have some spikes, overall we are not operating our equipment at near the rate that the Army is.

Mr. COLE. So you are pretty comfortable you have the capacity you need to maintain what you have?

General WETEKAM. Yes, sir, we are seeing that. We have managed with each succeeding spike to cover that. As I said, there are certain weapons systems where we have to improve our capacity; but we have managed to handle those over the last few years relatively well.

Mr. COLE. Thank you very much.

I have no further questions, Mr. Chairman. Thank you.

Mr. HEFLEY. Mr. Jones?

Mr. JONES. Mr. Chairman, thank you very much.

To Admiral, is it, Hugel?

Admiral HUGEL. Hugel, Admiral Hugel.

Mr. JONES. Hugel. I am sorry. I don't get but so many names, Jones and Smith, since mine is Jones. But let me ask you and General Kelly, this issue of carryover, I have the Cherry Point Naval Aircraft Depot (NADEP) in my district and this issue of carryover, I wish you would explain to the committee as well as myself—I know this is an OSD directive, but do you feel that this should be discussed by the Congress? Because what I get back is when our depots are working at this high level of requirement that sometimes this issue of carryover can present some problems for them as it relates to their work.

Admiral HUGEL. Sir, we pay attention to carryover because carryover represents a potential biwave of work that we are pushing ahead. And so it is important that we ensure that we are not pushing too much of a biwave of workload along from year to year; but carryover in the depots is also a fact of life because some of the equipment that we repair takes longer than a week, a month or even several months to repair.

So some of what we see in the way of carryover ends up being work that starts late in one fiscal year and then completes in the following fiscal year. But we need to pay attention to the number just to ensure that we are not pushing too much workload biwave from one fiscal year into the next and creating either a funding problem for ourselves in the following fiscal year or, potentially, a workload problem, workload to workforce mismatch problem.

It maybe gets more attention than some people would like to give it, but we do use that carryover measure to ensure that we are comfortable, we have our arms around the workload and workforce and funding matches.

Mr. JONES. General Kelly, can you speak to that issue?

General KELLY. Yes, sir. For this fiscal year, we are within the ceiling set by OSD for carryover. That is really the budgeted workload plus the supplemental. If we were to get an increase this fiscal year, it would press the limit. I think we would probably have to go in and address it as a policy issue at OSD.

In peacetime, budgeting and depot maintenance planning, we can certainly work within that; but now I think we are at a point where we are going to have a large biwave of equipment that is going to be coming into our depots. There is going to be a lot of

churn throughout the operating forces of figuring out what needs to get in. It won't be a perfect process; and, therefore, I think if we approach that ceiling, we are going to have to address it with OSD.

Mr. JONES. Thank you.

General Kelly, you know, rumors abound any time that a Member of Congress has a depot or a military base, particularly when there is a possible year of BRAC coming in another year or two. But really, my question deals with the situation in Iraq and Afghanistan. Are there any plans to set up a sizable force of workers to go to Iraq from the depot at Cherry Point or any of the depots, NADEPs?

General KELLY. Yes, sir. I will take the aviation part first. We have a team that went into Iraq about a month ago to assess whether we needed any depot capability in theater, and that team right now is coming up with some courses of action to take a look at what can be done in theater in terms of organizational intermediate maintenance and what really needs to be addressed to the depot level.

This fall we will have some courses of actions developed for the leadership to make a decision on that, whether we need to put some core capability in theater to deal with depots issues, reduce cycle time and so forth. We don't have any granularity on that right now. In the fall, we will.

Mr. JONES. Okay.

General KELLY. On the ground side, our Marine Core Logistics Command has liaison officers with MARCENT and First Marine Expeditionary Force looking at this. At this point, we don't see having to move ground depot maintenance into theater.

Mr. JONES. Thank you, Mr. Chairman.

Mr. HEFLEY. Thank you.

Ms. Davis? Ms. Davis, you want to hold up because we might have to—can you bear with us while we run and make some votes and come back? All right. The committee stands in recess for a few moments.

[Recess.]

Mr. BISHOP [presiding]. Allow me to call the committee back to order. The chairman is doing business on the floor right now. This will be the one and only time I will ever have to commandeer the entire subcommittee. [Laughter.]

So no one will butt in front of you in line at the airport, I can promise you, Representative Marshall.

Ms. Davis is here and she was just about to give a question at the time, so Ms. Davis, the gentle lady from California is recognized.

Ms. DAVIS OF CALIFORNIA. Thank you. Thank you, Mr. Chairman, and I appreciate the work that you all do. Thank you very much.

I wanted to talk a little bit about outside contractors and acknowledging the 50/50 split with the private sector. I wondered if you could be more specific. Where is that breaking down today and what are some of the problems that you may see? Where are we with that split?

Mr. MOTSEK. I will start first. From the Army's perspective, we are still within the 50/50 break. We started the year with the an-

icipation of about a 56, 57/43, 44 split. As we run the numbers right now, we are closer to a 53/47 split. So it has narrowed a bit, but we do not believe that either this year or next year we will break the 50/50 rule.

Ms. DAVIS OF CALIFORNIA. And what about in Iraq alone?

Mr. MOTSEK. Pardon?

Ms. DAVIS OF CALIFORNIA. Does that reflect the numbers in Iraq?

Mr. MOTSEK. Yes, it does.

Ms. DAVIS OF CALIFORNIA. How much of the overall work that is done by private contractors cannot really be done by the depots? Are there some functions that you can't—where does that break down?

General STEVENSON. I will take a shot at it. I think the answer is very little. Probably the largest reason we augment our depot workforce with contractors is because of time where we have to meet a specific—I will give you an example with the case of the 3rd Infantry Division who will be redeploying to Iraq in January. We have a very finite period of time in which to get their equipment through what we call reset, a deliberate maintenance process; and in order to meet that timeline and timelines of other units like it, we have to quickly augment a force to get the work done. But it is not a problem not having organic skilled workforce; we have got that.

Ms. DAVIS OF CALIFORNIA. Prior to the war, it is my understanding that depots have decreased their workload while their costs have actually increased. Is that the case today?

General STEVENSON. I think that it is true that since OEF, OPERATING ENDURING FREEDOM, we have, in all cases, increased the number of workers in our depots, and there has been a decrease—it depends on the point at which you measure from.

Ms. DAVIS OF CALIFORNIA. I guess the question is are the contractors more cost efficient for the depots?

General STEVENSON. And, again, it depends on how you measure it. Our depot rates today, the way we compute them, have to include the cost of overhead; in our case we use cost of materials as part of the labor rate. And so depending if you made an apples to apples comparison, you might conclude that contractors are cheaper, but that is not necessarily the case.

Ms. DAVIS OF CALIFORNIA. What direction do you all see this going then? Do you see actually more work going to private contractors, especially in theater like this, or do you see that we are less likely to go that direction?

General STEVENSON. The depot-level work, I would tell you, and then I will give my colleagues a chance to take a shot at this—the depot-level work, I don't see there being a large outsourcing. First of all, we are prohibited by law from doing that. Second, we have a requirement to maintain a core capability in our depots; and, in fact, that requirement is probably going to increase. So, no, I don't think there will be a wholesale contracting out because of some presumption that it is cheaper.

Admiral HUGEL. In the case of the Navy, we have been at about 54 percent in the public sector, 46 percent in the private sector for a couple of years; and our projections into the future are in that ballpark. I would agree with General Stevenson in terms of com-

paring private sector costs and efficiencies to public sector. It is difficult to compare apples to apples because of the cost accounting in either place. I would tell you that we see where the private sector is more efficient and places where the public sector is more efficient, and that is often based on the kind of work that we ask each to do; it is not always the same.

The capability inside the public sector is commensurate with the capability in the private sector. Some of that is protected by the core law. We have to maintain that capability in the public sector, and we do. And I think, as I said, we project into the future that the balance between public and private sector workload is expected to be about where we are right now.

General WETEKAM. In the case of the Air Force, ma'am, it is a very similar situation. We are about 55/45. We don't anticipate that changing much in the foreseeable future, a percentage or two either way, slight variations. And, again, it is a mix of workload relative to public and private sector, but our public sector depots are doing very well and are very competitive.

Ms. DAVIS OF CALIFORNIA. One of the concerns that I have—I am sorry, did you want to respond to that?

General KELLY. Yes, ma'am. I think there is a healthy tension that goes on between three factors, effectiveness, efficiency and best value, for the depots. We really believe that our depots today are sized about right for our current and future requirements. The war will have some temporary hires, perhaps some permanent hires to do the additional work and some contract work; but we believe what we have in place today meets the needs of our corps, and right now our split is about 68/23, 23 being on the contracted out percentage. The one thing that we have done over the last year is work very closely between the depots and our acquisition community to buy individual pieces of equipment to ensure that for an individual piece of equipment, it is treated in the context of the greater good of the institution so we don't have individual managers going out and totally outsourcing all support and then having an impact in the out-years. So we are looking at it from an enterprise level for the first time, but we are really committed to having corps capability.

Ms. DAVIS OF CALIFORNIA. Could you——

Mr. BISHOP. Thank you. I am sorry, I have to interrupt. The gentle lady's time has expired. Let's go through the committee and we will come back.

Ms. DAVIS OF CALIFORNIA. Sure.

Mr. BISHOP. Representative Rogers, the gentleman from Alabama?

Mr. ROGERS. This will be for General Stevenson and Mr. Motsek. We have heard about how the equipment in Iraq has been experiencing wear and tear that is over and above what would normally be expected and budgeted for. Could you speak to how this deterioration compares to what we experienced in OPERATION DESERT STORM?

General STEVENSON. I think at this point, given only a little over a year in operations in Iraq, we are not seeing a significant difference. Of course, as you know, in the Army Materiel Command (AMC), in the depots, we are only seeing the depot-level mainte-

nance; there are level echelons of maintenance that are going on below the AMC and below the depot.

Of course, an extended stay in Southwest Asia, with the same vehicles operating in the same condition, will probably yield a different result; but thus far we have seen about what we saw last time.

Mr. ROGERS. So you feel like it has been budgeted for, anticipated.

General STEVENSON. As Congressman Ortiz indicated earlier, we did not get exactly what we asked for in the 2004 supplemental in terms of depot maintenance, but some fortuitous things have happened over the course of the year such that it has turned out to not be a problem for us this year. And, specifically, what I am talking about is the fact that we held some forces in Iraq longer than what we had anticipated we would. They are coming out now, specifically talking about the 1st Armor Division, the 2nd Light Cavalry Regiment, and thus their work will actually be pushed into 2005; and so long as we are funded in 2005 for that work, we should be okay.

Mr. MOSTEK. The other piece is is that when we tried to cost out the cost of repair at any level, we use the experience of the last Gulf War to add in a factor which we call 3D, or delayed desert damage. So the cost that we are putting on a platform of repair is higher than what you would have seen in a normal peacetime repair. So we have tried to take that, and we are gaining more experience every year as we go through the budget cycle to see how accurate we were in our estimations.

Mr. ROGERS. As you all know, Anniston Army Depot is in my Congressional district and dear to my heart. One of the things that we are particularly proud of is the depot there has been on the cutting edge of establishing public-private partnerships and growing them and has great examples with General Dynamics and United Defense.

What I would like to know is for 2005, in general, and for reset in particular, could you speak to how you see these public-private partnerships playing out at Anniston Army Depot as far as their growth and development and at other depots around the country?

General STEVENSON. I don't have specifics and can't talk to future plans of the individual depots, but we are pleased with what we are seeing across Army depots with public-private partnerships. The ones at Anniston, as you indicate, are working out well. They offer us an opportunity to ensure that we make the maximum use of the facilities that we own, take advantage where we can of gaining a closer working relationship, particularly in the way of engineering support from the original equipment manufacturers that work with us, but also to ensure that we make maximum use of the facilities that we have.

At any given time, there may be some facilities that are underutilized; and this allows us to get them utilized to keep our rates down and make us an attractive option for repair from whatever our customers may be, whether they be in the active or the Guard or elsewhere.

Mr. ROGERS. Do you feel like there is a significant amount of that depot infrastructure that is being underutilized?

General STEVENSON. Certainly not at Anniston. Anniston is a busy place these days, and as you probably know better than I, we have added considerably to the size of the workforce there over the past year, and we don't see that workload changing in the next year, for sure. Beyond that I would just be speculating, but we anticipate the size of the work, the amount of the work is going to be about the same, maybe a little bit higher.

Mr. ROGERS. What plans does AMC have for the carryover in 2004–2005 actual workload, to include reset, to ensure that our depots and arsenals remain at peak efficiency in getting equipment turned around as quickly as possible?

General STEVENSON. We will have carryover this year. This is something we spend a lot of attention on, but we will stay within the policies that have been established for it. We will not see any break in the level of effort as we cross fiscal years. There will be work, hopefully at the same pace, subject to continuing to fund the requirements that we have, that you see right now.

Mr. ROGERS. Thank you.

Mr. BISHOP. Thank you. Just for the committee's sake, I am told that we will be done here by 3:30 regardless or something terrible happens. So if we can make sure we keep on that time frame, be as brief as you can on the answers and responses. I would like to get a question in here sometime too. Otherwise we may be looking at written questions for the panel if that is all right.

Mr. Marshall, you are next.

Mr. MARSHALL. Thank you, Mr. Bishop. This is addressed to all of you gentlemen but I have to phrase the question in terms that I am familiar with and they are principally Air Force terms having to do with Robins Air Force Base.

And, General Wetekam, I want to congratulate you, sir. I think this is your first hearing now that you have gotten your three stars; am I correct about that?

General WETEKAM. Yes, sir, you are. Thank you very much.

Mr. MARSHALL. Glad to have you here. I think right place at the right time. You certainly did a great job at Warner Robins Air Base for all of us.

What I am worried about is the trend that we have seen in recent years of manufacturers entering into contracts to maintain for a certain period of time the items, platforms that we are buying. The C-17, take that as an example. The Air Force entered into acquisition of C-17. In the agreement, the manufacturer retained maintenance responsibilities, and it was only in the last couple years, last year or so, that Secretary Roche, working with the Depot Caucus, came up with the idea that there should be this partnering.

And General Wetekam in his written remarks described this as, "We began a significant push to require weapons systems managers," the acquisition team, "to begin establishing partnerships, product support and depot maintenance programs early in the acquisition cycle and to plan and program investment dollars required for capacity and capability." And so we sort of missed the boat on the C-17; and we are trying to go back and catch up to it, get on it, and we have had some success there.

Now we are talking about, where the Air Force is concerned anyway, acquiring 767 platforms for tankers; and we are going to do so by lease. And my question, I guess, has to do with, where the Air Force is concerned, what is the process in the acquisition phase for these leased tankers that guarantees that we are not setting ourselves up with the same sort of problem that we have with the C-17 where depots are concerned? The manufacturer, in this instance the lessor, is going to retain, I think that is probably going to be contemplated, maintenance responsibilities for a certain period of time. And are we in this acquisition process taking into account our long-term core capacity capability needs, maintaining our depots and the fundamental capacity of the depots?

Now, I don't know whether or not the same kinds of issues—that wouldn't surprise me at all if the same kinds of issues—don't come up with the Navy since your things are huge, but I don't know whether those kinds of things come up with the other services.

And I guess I would like a description of the process we are going through right now to assure that in the acquisition process we are actually doing what you say in this sentence, General Wetekam, not only with outright purchases but if we get into this lease business, with leases as well.

General WETEKAM. Yes, sir. There is a fundamental difference between policy today and policy at the time that we initially procured the C-17. And at that time, we really had no directive within the Air Force to look at 50/50's, as you mentioned, to look at maintaining our organic repair capabilities and what new weapons systems would mean to that.

Since that time, we have added to Air Force acquisition policy just that type of directive, which now requires program managers during the acquisition phase of a program to look at 50/50 requirements, consider the impact of where the repair will be done and what type of mix we will use, and also not just 50/50 but also relative to keeping our depots modern, keeping our depots involved with new weapons systems and new technologies. And that has become part of Air Force acquisition policy.

Relative to the tankers, it is very difficult at this point to surmise what that might look like and what type of sustainment strategy we might look at for some type of aircraft, be that leased or be that a straight buy. Clearly, if it is a commercial derivative aircraft that we use, then we might very well seek to leverage off commercial capabilities that are already out in the marketplace rather than investing heavily to bring up a capability within one of our logistics centers. Or we might seek to do, as we have done in the C-17, and that is to leverage the strengths of both and build an effective partnership.

Mr. MARSHALL. What worries me is that in the acquisition process you increase your costs, your up-front costs, by taking into account this subsequent future need, and there is always this temptation, in light of budget realities, to try and keep the acquisition costs as low as possible, get the platform in place and then worry about it later. And it sounds like we may be doing that with the 767 platform if your response is, "Well, it is kind of hard to tell at this point what we are going to do with regard to that issue."

General WETEKAM. Yes; sir, I guess that is my response in the sense that we are not really talking about an established program at this juncture anyway, so we are not even sure what type of platform the follow-on tanker might be, so it is really very difficult to give you an answer to that part of it.

Mr. BISHOP. Thank you very much.

General Wetekam, I am always interested in the opinion of somebody who has a master's from the University of Utah. That stands out positively. [Laughter.]

I realize that transformation is the buzz word, if I could ask a couple of questions right now, within DOD; and my impression is that the Air Force depot structure has been transforming for several years. I just wondered for the record and the panel's consideration if you could just mention a couple of steps the Air Force has taken to ensure the taxpayers are getting the most bang for their buck and maybe additional processes or best practice reforms that the Air Force is looking to further increase what is already a very impressive efficiency rating at the three ALCs.

General WETEKAM. Thank you, sir; happy to address that. We are very proud of what we are doing within our air logistics centers to transform our capabilities. The initiatives have kind of come and gone over many years, but about three years ago, I think, we settled on a set of initiatives that is really serving us well now, and we have maintained that focus.

In the industrial operations area, we have elected to center our process improvement strategy on lean process improvement. Essentially, it is an outgrowth of what some people call the Toyota production system; and all three of the air logistics centers are using that as the centerpiece of their process improvement methodology. It is paying great dividends; we have success stories at all three of the ALCs that we love to tell, because they really are—they are not projected savings, they are not projected improvements, they are improvements that are on the books today.

And then in the other area is our supply management, and we have a series of purchasing and supply chain management initiatives. It is a long list, but it is a very integrated list that is providing us better supply support. And, again, we see that statistically in terms of what we are seeing in our supply support to our air logistics centers and supply support to the field. Now, some of that, clearly, is the outgrowth of improved funding in that area. Certainly, that has been the bulk of it, but we have really improved our supply processes in terms of cycle time, acquisition, support and so on there; and there are more to come.

So I would say those two are the biggest initiatives that we have going on relative to depot processes and continuing to transform our air logistics centers.

Mr. BISHOP. Thank you, General. I have a couple of other questions, but in deference to the gentleman from Texas, let me see if I can put these in writing and submit them to you instead.

Mr. Rodriguez?

Mr. RODRIGUEZ. Thank you very much. We had heard some testimony in October of last year regarding the inspections on aircraft returning back from overseas and their condition; and it was unclear to what extent the depots and the costs were going to be re-

quired. I wonder if we have gotten a better feel for that now in terms of what is needed, in terms of upgrading of our aircraft, especially of both the Afghan situation as well as the Iraq war and the toll that it has taken.

My understanding is there was some money that was also allocated from the supplemental, and I was wondering if there were some additional requirements that were going to be needed in that area?

General WETEKAM. Sir, I will start that. From the Air Force perspective, we do not anticipate any additional funding requirements in fiscal year 2004 for depot maintenance. We believe that we are covered there. We currently are sizing our unfunded for fiscal year 2005. We estimate that at about \$242 million in our depot line. Now, that is a moving target. It is obviously subject to other outside influences, but that is the way—

Mr. RODRIGUEZ. Is the work going to be able to get handled with the present situation that we find ourselves with?

General WETEKAM. Yes, sir. We have the capacity at the air logistics centers to handle that level of work, and we are handling it pretty well. Some of that was the fact that we have been operating really at an increased OPSTEMPO for several years within the Air Force, because we were operating OPERATION SOUTHERN WATCH and NORTHERN WATCH. And so this is almost a steady-state operation for us.

And then another factor, of course, is the process improvements I just spoke of. That has really improved our capacity with a given size workforce and different given size facilities and so on. So we are getting more work done with the same number of people and the same facilities that we had in years past.

Mr. RODRIGUEZ. And I just want to hear briefly from the rest in terms of where we are at and see if we need to beef up in that area.

Admiral HUGEL. For the Navy and Marine Corps team, we are seeing about a 15 percent increase in the amount of maintenance that needs to be done on our rotary wing aircraft coming back from the war. We have seen about a 17.5 percent increase in engine wear for our airplane engines that are serving in the desert environment compared to those that do not. But we are in a position, people-wise and money-wise in our depots to deal with both of those issues and other issues with our aircraft coming back from the war.

General WETEKAM. General Stevenson referred briefly to the STIR Program earlier, and that is our program to try to take into effect the delayed desert damage, the increased corrosion, and increased requirements. It is interesting to link that, though, with a question Mr. Ortiz asked earlier, which was about quality control. If I take an aircraft through the STIR Program, and we are adequately funded right now for that program, that engine comes off, that engine goes back to Corpus Christi; and that engine is torn down there. So that is how we maintain the quality control of the subcomponents, because virtually all of them process through the depot.

It then links into the initiatives we are taking, because on that same engine line, we have a partnership with Boeing that helps

kick the parts to us so that we are able to get a throughput on that line so that 2 years ago we were producing roughly 600 engines a year; we are producing 1,400 engines a year out of that same line and are prepared to go to 1,800, as necessary, next year, next fiscal year.

So we have gone through the process and it is the synergy of all these things that we are talking about, trying to get the biggest bang for the buck, that we have been able to pull it off. But we did a reasonably decent job in anticipating the extra damage on a lot of our aircraft that are going back. We are putting on a desert kit, which consists of additional filters and the like, to help minimize some of the damage in the future. And I don't think we have had any substantial surprises as we tear down these aircraft. But, again, we are in the first year of the process, and as we go along, we will learn more.

Mr. BISHOP. Thank you very much. Obviously, members of the panel have the ability of presenting some written questions to the staff who may be presenting those to you at a future date.

On behalf of Chairman Hefley, who is presenting an amendment over on the floor, and Ranking Member Ortiz, may I thank you, gentlemen, for being here and for your input and your answers and your accessibility, and I apologize for the 30-minute vacation you had in the middle of this meeting for other business going on.

With that, I declare the subcommittee in adjournment.

[Whereupon, at 3:28 p.m., the subcommittee was adjourned.]

A P P E N D I X

JULY 20, 2004

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 20, 2004

RECORD VERSION

STATEMENT BY

**MAJOR GENERAL MITCHELL STEVENSON
DEPUTY CHIEF OF STAFF, OPERATIONS
UNITED STATES ARMY MATERIEL COMMAND**

and

**MR. GARY MOTSEK
DIRECTOR, SUPPORT OPERATIONS
UNITED STATES ARMY MATERIEL COMMAND**

BEFORE THE

**SUBCOMMITTEE ON READINESS
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES**

SECOND SESSION, 108TH CONGRESS

ON DEPOT MAINTENANCE

JULY 20, 2004

**NOT FOR PUBLICATION
UNTIL RELEASED BY THE
COMMITTEE ON ARMED SERVICES**

Chairman Hefley, Congressman Ortiz, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today to share with you the tremendous work our Depots are performing in support of our nation's fight against Terrorism. Our depot workers' patriotism and selfless devotion to duty is as evident in Anniston and Red River as it is in Balad, Iraq, as they support warfighters around the world.

Depot maintenance is not a point on the ground, but a capability, supporting more than just the Army. For example, over 45 percent of Tobyhanna Army Depot's workload is non-Army. In Iraq, our skilled government employees and contractors are joining forces with Reserve Component units at Forward Repair Activities to bring an unprecedented level of support to the battlefield. At High Mobility Multi-purpose Wheeled Vehicle (HMMWV) and Heavy Equipment Transport System service centers located in Balad, we are performing critical maintenance designed to extend the operational life of equipment now driven in a single year at rates equivalent to multiple years of peacetime use. Our Tire Service Centers allow the Soldier or Marine to exchange an unserviceable tire assembly for a serviceable tire already mounted on a wheel, increasing both efficiency and safety for the Soldier.

The rapid manufacturing capability deployed to Kuwait is a great success story. It enables equipment fabrication from raw stocks. Our technicians fabricated weapon system mounts for wheeled vehicles, which allow Soldiers to place weapons on vehicles not previously equipped. As a result, Soldier lethality has been increased, as has our ability to protect the force.

The HMMWV armored door program is yet another success story from the industrial base. In very short order, we developed a production plan and marshaled the combined efforts of four depots, two arsenals, and one ammo plant to provide a solution that enhances Soldier survivability.

We have already begun the surge to meet the myriad of requirements involved in returning redeployed equipment to operational status. To illustrate, since October 1, 2003, our depots have repaired 182 Abrams tanks and 42 Bradley Fighting Vehicles. We project that we will complete 84 additional Abrams and 97 Bradleys by the end of this fiscal year, and present projections for FY05 are 179 and 361, respectively. HMMWV production in the depot has increased from 30 a month to 76, and we eventually expect to reach a goal of over 100 per month. We are prepared to increase that number to 200 per month when required.

Corpus Christi Army Depot has increased the production of T700 family of engines from 600 to 1,400 a year, and at Anniston Army Depot, we have increased .50 caliber machine gun production from 143 to 200 a month. The production of the M249 Squad Automatic Weapon has gone from a cold start to over 500 a month. We have retrograded and are repairing nearly 10,000 high priority items and approximately 35,000 other secondary items critical to sustain the warfighter.

Currently we are operating our depots at 30 percent above our FY02 baseline and project to be 40 percent above that baseline in FY05. We are postured and capable of additional increases as required. To meet these

demands, our depots have increased to two and three shifts in critical areas, including helicopter rotor blades and HMMWV armored door assemblies. To support this increase in workload for our depot workforce, we have, to date, hired over 700 additional government employees and have partnered with industry, bringing onboard an additional 450 contractors. We project that additional increases to this work force will be required to continue as we sustain our surge and increase efforts well after Iraq's stabilization and redeployment of forces.

Just as we are taking the support to the Soldier on the battlefield, we are also doing so here at home. In support of the Army's fleet of helicopters, we are repairing crash/battle damaged aircraft not only at Corpus Christi Army Depot, but also at some of the Army troop installations as well. Our crash/battle damaged aircraft numbers, which normally run in the single digits during peacetime, have increased to 41 post-Operations Enduring Freedom and Iraqi Freedom. There are 847 aircraft in our Special Technical Inspection and Repair (STIR) Program, which is decentralized and generally performed at the unit's location. This maintenance and inspection, which is vital to maintain the airworthiness of the fleet, is above what the organization can perform, but below the normal depot level.

We intend to continue to meet the increased demand with a two-pronged approach to repairing non-operational equipment. The RECAP Program, which has been in place for a number of years, will bring specifically identified pieces of the force's equipment to zero miles/zero hours, a like-new status. The RESET Program will return the bulk of the equipment to operational condition through

overhaul and repair of Delayed Desert Damage. Again, this level of increased work is expected for several years.

Timely release of funds has been particularly helpful in the uncertain environment of fighting the war on terrorism. We appreciate the Committee's support this past year and look forward to working with the Congress in supporting the return of high quality equipment to the warfighters in FY05 as we continue the fight against terrorism.

The Army Industrial Base meets the challenges presented and supports and sustains the joint warfighter. We are confident that we are on track in our efforts to continue this significant challenge and look forward to the opportunity to provide more details of our efforts. As always, we thank you for your continued support of our Armed Forces.

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RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE
READINESS SUBCOMMITTEE

STATEMENT OF
RDML MARK A. HUGEL
DEPUTY DIRECTOR
FLEET READINESS DIVISION

BEFORE THE
SUBCOMMITTEE ON READINESS
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON

DEPOT MAINTENANCE – CAPACITY AND RESOURCES FOR FUTURE WORK

JULY 20, 2004

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HOUSE ARMED SERVICES COMMITTEE
READINESS SUBCOMMITTEE

Chairman Hefley, Congressman Ortiz, and distinguished members of this subcommittee, I am extremely pleased to testify before you, along with my Service counterparts, on Depot Maintenance workload resulting from the Global War on Terrorism and the capacity and resources to meet that work. Through your generous support, the Navy continues to enjoy a high level of readiness and is able to project significant combat power in support of the Global War on Terrorism.

The Global War on Terrorism consists of three concurrent operations, Operation Noble Eagle which is in direct support of homeland defense, Operation Enduring Freedom which supports combat operations in Afghanistan, and Operation Iraqi Freedom which supports combat operations for the liberation of Iraq. To meet the requirements of these various operations, the Navy has simultaneously deployed up to 73 percent of our force including seven of twelve carrier strike groups, nine of 12 expeditionary strike groups, and thirty three of fifty four attack submarines.

As the Chief of Naval Operations and VCNO have previously testified, and as you are well aware, the Navy has adopted a deployment strategy referred to as the Fleet Response Plan. The Fleet Response Plan, or FRP, provides for increased employability coupled with a more flexible surge capability to ensure national security objectives are achieved. FRP allows for an immediate surge capability of our forces in response to hostilities abroad. In support of FRP, the Navy has been re-examining our maintenance policies to ensure the capability to provide six combat ready Carrier Strike Groups within one month and an additional two combat ready Carrier strike Groups within three months without creating unmanageable workloads in our shipyards and aviation repair depots.

The Navy is presently demonstrating our ability to react to surge requirements in an exercise called SUMMER PULSE 04. There are seven Carrier Strike Groups involved in the exercise: USS KITTY HAWK (CV 63), USS ENTERPRISE (CVN 65), USS JOHN F KENNEDY (CV 67), USS GEORGE WASHINGTON (CVN 73), USS JOHN C STENNIS (CVN 74), USS HARRY S TRUMAN (CVN 75), and USS RONALD REAGAN (CVN 76). By deploying seven Carrier Strike groups operating in five theaters with other American, Allied, and Coalition forces, we intend to provide another credible example of the surgeability of our forces and a concrete demonstration of our combat power across the globe.

The maintenance community is supporting the Fleet Response Plan with a family of maintenance initiatives designed to improve the responsiveness and flexibility of the maintenance infrastructure. Many of these initiatives are in response to the challenges the maintenance community faced in its efforts to accomplish reconstitution goals. The Navy is committed to sustain current readiness at a level that supports the Fleet Response Plan and avoid the bathtub curve of readiness normally associated with previous strictly rotational deployment strategies. In order to maintain this higher level of readiness several initiatives have been developed. I'll address these initiatives by first addressing aviation maintenance and then will shift gears to comment on ship maintenance.

The aviation maintenance community is heavily engaged with initiatives that will increase the effectiveness and readiness of the aviation community. Besides working very hard to shoulder the increased workloads being experienced since September 11th, the aviation depots are aggressively working to achieve the "Cost-Wise Readiness" goal established by our Naval Aviation leadership. They are transforming the way they do

maintenance by implementing their “AirSpeed” initiative, an effort that takes advantage of proven industry business best practices such as theory of constraints, six sigma, lean manufacturing, and others. This effort is being synched up with the Fleet’s intermediate level of maintenance, which is driving repair cycle-time reductions and will make possible future inventory reductions and process changes to become more effective and also efficient. Additionally, they have embraced Performance Based Logistic arrangements with industry, accomplished a supply transformation and partnership with the Fleet Industrial Supply Centers, and are pursuing a more integrated approach to accomplishing all “off aircraft” maintenance actions.

The three Navy and Marine Corps Aviation Depots at Cherry Point, NC, North Island, CA, and Jacksonville, FL have sufficient capacity to execute the remaining fiscal year 2004 and planned fiscal year 2005 workload. The Navy will not require any current change in the division of work between organic and contractor facilities to execute the planned aviation workload. The condition of some assets upon their return may require an increase of contractor touch labor at Navy / Marine Corp Depots. This touch labor will assist our aviation depots, in conjunction with a judicious combination of overtime, augmenting the Navy’s Service Work force at the aviation depots. The Navy is confident that it can handle any surges without having to significantly change the balance of the aviation workload between public and private sector entities.

The Navy and Marine Corps Aviation depots have been heavily involved in the sustainment and support of operations associated with the Global War on Terrorism. The Navy and Marine Corps aviation team does very detailed planning down to the specific bureau number of each aircraft and the availability of engines and components are closely

monitored. Although the Navy's aviation depots are performing magnificently, the level of their current operations has been challenging. For instance, there has been an increase in aircraft, engine, and depot level aviation support equipment workload attributed to higher 'wear and tear' plus increased usage rates for aircraft engaged in support of Afghanistan and Iraq plus support operations.

The Navy has also observed an increase in workload as a result of battle and crash damaged aircraft. Helicopters and AV-8B Harriers have also been significantly affected. The material condition of these returning aircraft, plus engines and the associated support equipment, will require an increase in depot labor and material usage to return them to serviceable condition. To mitigate this challenge, the Navy is accelerating ongoing efforts towards performing depot level maintenance in theatre. This may require the Navy to devote some additional resources to this area; the exact plan to provide this enhanced in theatre support is still under development and will be altered to reflect the overseas presence during the next year.

Furthermore, rotary wing aircraft returning from Afghanistan and Iraq are requiring approximately 15 percent more work than historically planned. Engines returning from OIF and OEF experience a higher material usage (replacement factor) and an increase of 17.6 percent in overall engine cost than non-desert flying aircraft. The Navy has accommodated for this increase in cost with the application of supplemental funding. In fiscal year 2004, the Navy/Marine Corps and commercial industry aviation depots will repair 2,949 airframes/engines and associated aircraft components for a cost of \$2.8 billion dollars. Additionally, the Navy/Marine Corps and commercial industry

plan to repair 3,312 airframes/engines and associated aircraft components for a cost of \$2.8 billion dollars during fiscal year 2005.

The three aviation Navy / Marine Corps depots have the required personnel to support current operations for returning aircraft and associated engine and component workloads and also support our ongoing overseas operations. The workforce consists of approximately 10,800 Civil Service employees and is regularly augmented by contractor employees as required. The number of contractor personnel performing touch labor is increased or decreased to efficiently accommodate fluctuations in workload.

In addition, qualified personnel are performing more preventive maintenance in the field thus precluding unacceptable material condition degradation to the maximum extent practical. The Navy will continue to cycle aircraft back to the depots from Iraq and Afghanistan at programmed intervals to the maximum extent possible. This will ensure adequate numbers of aircraft remain available to operating forces. Engine production is keeping pace with demand and surge will not exceed depot engine production capacity as a result of ongoing operations.

Within the ship maintenance community, the performance improvement initiatives include "One Shipyard", "SHIPMAIN", and regional maintenance waterfront integration. These efforts are complimentary; One Shipyard concentrates on optimizing the entire national ship maintenance industrial base, both public and private, allowing effective, responsive, and flexible work execution, when and where the ships are available. SHIPMAIN is working to streamline ship alteration and maintenance planning processes to reduce redundant work and promote better communication among ship maintenance organizations. Finally, regional maintenance waterfront integration creates

regional maintenance activities that provide “one stop maintenance shopping” to ship’s force personnel.

The surface and submarine maintenance community, both public and private facilities, have responded magnificently to the effort required to reset the force in support of the execution of the Global War on Terrorism. In response to the increasing requirements of the Global War on Terrorism, twenty five percent more maintenance was conducted than originally programmed. This was largely accomplished by the generous supplemental funding provided by Congress. The shipyards were able to successfully induct ships for availabilities early, respond to increased maintenance requirements due to operational deployments, and successfully address emergent work not normally expected. The four public shipyards, Portsmouth Naval Shipyard, Norfolk Naval Shipyard, Puget Sound Naval Shipyard, and Pearl Harbor Naval Shipyard, and numerous private shipyards on both coasts have been working hand in hand to achieve the desired readiness levels for our surface and submarine assets. The Navy remains compliant with 50/50 requirements and will continue to do so in the remainder of fiscal year 2004 and fiscal year 2005.

During fiscal year 2004, the Navy is in the process of executing seventy-nine maintenance availabilities on various ships and submarines at a cost of \$3.6 billion dollars. To date, thirty-nine availabilities have been completed, twenty-six are in progress, and the remaining availabilities will be inducted in fiscal year 2004. The Navy requested and received \$600 million dollars for ship depot maintenance as part of the fiscal year 2004 cost of war supplemental. The maintenance requirements of over fifty ships that were directly involved in the execution of Global War on Terrorism have been

funded with these supplemental dollars. These increased maintenance requirements are in response to addressing higher usage rates, overdue maintenance requirements as a result of higher operational tempo, and maintaining surge ready assets. Additionally, the Navy plans to execute one hundred and five ship depot maintenance availabilities during fiscal year 2005 at a cost of \$4.0 billion dollars. These ship depot maintenance availabilities include both nuclear and conventional work and will be performed on carriers, submarines, surface combatants, and amphibious ships.

The public and private shipyards have adequate capacity and personnel to execute the planned workload for the remainder of fiscal year 2004 and the projected workload for fiscal year 2005. Public and private shipyard workloads are continuously reviewed by Naval Sea System Command to ensure that they are executable and within established budget guidelines. The Navy closely monitors both the shipyard workload and the individual ship operational schedules to ensure that the planned availability can be performed as scheduled. Additionally, maintenance availability schedule changes are made when required to ensure a level workload in the shipyard and prevents over or under capacity issues.

During fiscal year 2004, the Navy effectively used supplemental funding to offset ship and aviation depot maintenance costs incurred as a result of the Global War on Terrorism. These incurred costs were a result of increased operational employment and were not part of the peacetime budget submission.

In the area of ship depot maintenance, those costs can be categorized as costs associated with ships and submarines deploying in direct support of combat operations, costs associated with ships or submarines returning from directly supporting combat

operations, and costs associated with maintaining surge assets. Supplemental funding, above what was normally programmed for aviation depot maintenance has been required in fiscal year 2004 to support the associated increased level of aviation depot maintenance activities. The programming/budget cycle has been responsive and has provided the aviation depot maintenance establishment with required funding to meet expected aviation readiness levels.

In closing, the Navy has closely examined its maintenance practices over the last few years and has considerably reduced the backlog of major ship depot availabilities and aircraft depot repair actions. The Navy continues to meet our 100 percent deployed airframe goals while improving the non-deployed aircraft availability. Ship depot maintenance continues to reduce the number of annual deferred maintenance actions and is improving the overall cost effectiveness of the program.

I would again like to express my deep appreciation to the members of this committee for your lasting support in sustaining our efforts in putting to sea the most capable Navy the world has seen. I wish to thank the Committee for this opportunity to appear before you today. I am very happy to answer any questions you may have.

DEPARTMENT OF THE AIR FORCE

PREPARED STATEMENT

OF

LIEUTENANT GENERAL DONALD J. WETEKAM

DEPUTY CHIEF OF STAFF/INSTALLATIONS & LOGISTICS

BEFORE THE

SUBCOMMITTEE ON READINESS

COMMITTEE ON ARMED SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

:

SUBJECT: DEPOT MAINTENANCE POST IRAQ

JULY 20, 2004

**NOT FOR PUBLICATION UNTIL
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HOUSE ARMED SERVICES COMMITTEE**

Chairman Hefly, Congressman Ortiz, and distinguished members of the committee, thank you for this opportunity to appear before you to present the status of Air Force depot maintenance workload resulting from the Global War on Terrorism. As the Air Force Deputy Chief of Staff for Installations and Logistics, it is my privilege to report on the current and future program for our three depots. On behalf of Secretary Roche and Chief of Staff Jumper, thank you for your continued strong support of the depots. As you know, our depots play a critical role in assuring the Nation's air and space combat capability.

The outstanding workforce at our depots has done heroic work supporting three concurrent contingencies over the last two years. In fiscal year 2003, the depots produced 23.5 million hours, six percent above planned, at a total value of \$6.4 billion. Fiscal year 2003 production of depot level reparables exceeded fiscal year 2002 by 11,367 units, and we continue to exceed planned production in fiscal year 2004. Both aircraft and engine production surpassed goals; six additional aircraft and 31 additional engines were produced. Air Force depots continue to demonstrate their ability to meet increased requirements driven by Operations NOBLE EAGLE, ENDURING FREEDOM and IRAQI FREEDOM. We can count on our depots to continue to surge repair operations and realign capacity as we've already seen.

As you are aware, the Air Force has embarked on a strategy for three (3) world-class depots and has increased funding for essential depot facilities upgrades and equipment modernization as part of our Depot Maintenance Strategy and Master Plan. The key to

our strategy is maintaining a depot maintenance capability that provides reliable, flexible, and timely support services and products to the operational forces worldwide. A robust, modern depot level maintenance and repair capability is a critical element of that overall support capability, and is a core competency of the United States Air Force. Air Force depots have played a vital role in the success achieved by the Air Force in past decades. In order to ensure the Air Force remains the premier air and space force in the world during the next decade and beyond, the Air Force is fully committed to sustaining a healthy depot level maintenance and repair capability.

The foundation for determining how much organic depot capability the Air Force requires is three-fold. First, the Air Force must organically maintain and accomplish adequate depot maintenance workload annually to sustain its core depot maintenance capability. Core capability is defined as the skills, facilities, and equipment needed to provide depot level repair for the weapons systems and technologies required to support Joint Chiefs of Staff contingency scenarios. Second, the Air Force must maintain adequate organic depot maintenance capability to ensure it can support the projected increase in “surge” depot maintenance workload associated with involvement in major contingencies. Finally, the Air Force must maintain adequate depot maintenance capability to provide all depot maintenance where the organic depot is the source of last resort. Additional workloads needed to improve overall efficiency are assigned to organic depots based on a “best value” determination.

Since the publication of the Depot Maintenance Master Plan in August of 2002, the Air Force has made great progress toward modernizing the depots at our Air Logistics Centers, procuring technologically advanced facilities and equipment and maintaining a highly qualified workforce. We are on our way to transforming our organic depots into "world class" maintenance repair and overhaul operations.

Fiscal year 2003 was a year that witnessed great improvement in all areas of depot maintenance: quality, schedule conformance, and productivity. New and innovative product support initiatives and process improvements yielded demonstrable results in fiscal year 2003. The depots have made quality and schedule conformance a priority. Over the past two years, our quality defect rate has improved from 0.34 defects per aircraft to 0.27 defects per aircraft. On-time completion of aircraft in programmed depot maintenance has improved from 78.4% in fiscal year 2003 to 92.9% thus far in fiscal year 2004. Our depot maintenance teams were more productive than planned, exceeding aircraft engine and commodity production goals, and reducing flow days in nearly all areas. Implementation of "lean" production processes, optimized use of the existing workforce, and appropriate funding all contributed to the good news story. In fact, thanks to the dedication and commitment of our depot workforce, we achieved many readiness milestones last year. One of the biggest measures of merit was the fact that 14 of 20 major weapons systems saw improved in-commission rates at a time when we were flying more hours. Fleet-wide mission capable rates have remained steady with a slight increase from fiscal year 2002 to fiscal year 2003. Additionally, fiscal year 2003 ended with the best Air Force Total-Not-Mission-Capable-Supply rate and cannibalization rate

since fiscal years 1994 and 1995 respectively. A portion of those successes can be attributed to our world-class depots. Improved depot performance has had a direct impact on combat capability and our ability to meet the worldwide mission. Secretary Roche, General Jumper and I are proud of the performance of the individual members of the workforce at all of our depots. A comparison of what the production floor looked like three years ago and what it looks like today shows dramatic improvement in workplace processes.

Our depot strategy calls for infrastructure capitalization to ensure Air Force hardware is safe and ready to operate across the threat spectrum. The nearly \$150M in increased funding for depot facilities, workforce training and equipment modernization in fiscal years 2004-2009, along with effective public-private partnerships, will sustain our world-class depot operations and result in more responsive support to the warfighter. We began a significant push to require weapon systems managers to begin establishing partnerships, product support and depot maintenance programs early in the acquisition cycle, and to plan and program investment dollars required for capacity and capability. We are partnering with private industry to glean best practices, and adopt cutting-edge technologies to meet core capability requirements. The results from these efforts will be enhanced, more agile warfighter support through the critical enabler of infrastructure.

In addition to the \$150M funded through our depot maintenance strategy, the Air Force continues to place emphasis on a solid depot maintenance program for DoD's weapon systems. In the fiscal year 2005 President's Budget, we increased Depot Purchased

Equipment Maintenance (DPEM) funding over the previous budget position to ensure the proper level of support to the warfighter. Our budget request identifies our most critical requirements, and with your support it will ensure we will have our depots fully work-loaded. An extremely important facet of depot capacity is that during wartime or contingencies, the Air Force can surge repair operations and realign capacity to support the warfighter's immediate needs. We will maintain the appropriate level of depot maintenance to ensure our fleet stands ready to deploy, fly and fight anywhere, anytime.

Any impact on the depots from surge and reconstitution is minimized through formal workload reviews driven by Major Command customer requirements based on current operating scenarios. These requirements are programmed to include an estimate of unscheduled maintenance based on history and current indicators. Air Force assets are rotated through the depots on a scheduled basis as required by operational parameters. Known changes in workload are accommodated as they occur. In fact, Air Force depot backlog has decreased in recent years due to supplemental and Global War on Terrorism funding. Due to this planning, we anticipate that we will be able to handle any additional workload as a result of reconstitution efforts. We will incorporate changes from the warfighter as soon as they become known. If we experience an unexpected surge, overtime and additional shifts can be used to accommodate the requirement. We have the physical capacity and the people to support the workload that may be generated as a result of real world operations and reconstitution efforts. We are meeting all demands and expect to continue to do so.

The Air Force remains committed to maintaining a ready and responsive organic depot infrastructure with technologically advanced facilities and equipment and a highly qualified workforce. The greatest testament to Air Force depots is our continued success in providing readiness and support to the warfighter around the globe. The Air Force, along with all the members of the joint team, is proud of our successes over the past two years, but we cannot rest on our accomplishments. The readiness that made the Air Force contribution possible was the result of a lot of hard work by the Airmen, military and civilian, at our depots. Our success was also a tribute to this subcommittee's leadership and its staunch support at such a critical time in our nation's history. Chairman Hefly, Congressman Ortiz, and members of the committee, thank you for your support.

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THE HOUSE ARMED
SERVICES COMMITTEE

STATEMENT OF
LIEUTENANT GENERAL RICHARD L. KELLY
DEPUTY COMMANDANT INSTALLATIONS & LOGISTICS
UNITED STATES MARINE CORPS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS
CONCERNING
DEPOT MAINTENANCE REQUIREMENTS FOR EQUIPMENT RETURNING
FROM OPERATION IRAQI FREEDOM (OIF) AND OPERATION
ENDURING FREEDOM (OEF)
ON
JULY 20, 2004

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SERVICES COMMITTEE

Introduction

Chairman Hefley, Congressman Ortiz, and distinguished members of the Committee, it is my privilege to report to you on the state of Marine Corps depot maintenance. Your Marines are firmly committed to excellence in logistics, which supports excellence in warfighting. The support of the Congress and the American people has been indispensable to our success in the Global War on Terrorism. Your sustained commitment to improving our Nation's armed forces to meet today's challenges and those of tomorrow is vital to the security of our Nation. On behalf of all Marines and their families, I thank the Committee for your continued support and commitment to the readiness of your Marine Corps.

Operation IRAQI FREEDOM - Our Successes

Operation IRAQI FREEDOM (OIF) saw the Marines fighting over the longest ground distances in our history and at speeds never before traveled. Our success is a new benchmark in Marine combat operations and logistics, as seen by our ability to maneuver and fight 450 miles from Kuwait to Tikrit in roughly 21 days.

Operation IRAQI FREEDOM - Challenges and Lessons Learned

Sustaining operations for OIF-II, preparing for OIF-III, while continuing to equip and maintain Marine forces worldwide is a logistics challenge. We are now experiencing the effects

as a result of the stress we have placed on our equipment requiring a greater focus on Total Life Cycle Management, to include all levels of maintenance and in some cases, new acquisition. We have made a major effort to analyze lessons learned from OIF-I and have determined how best to apply them in the current and future operating environments.

As a result of continuing intense operations, our maintenance depots have once again proven themselves to be a National asset. The Marine Corps depots' wartime capability continues to give them strategic significance by supporting deployment, sustaining operating forces, and constituting during and regenerating after conflict.

For ground equipment, the Marine Corps accomplishes this mission through two multi-commodity ground equipment Maintenance Centers that are strategically and geographically located to support our East and West Coast Marine Operating Forces, one in Albany, Georgia and the other in Barstow, California. These ground Maintenance Centers currently employ 1,684 artisans and professional managers who are multi-skilled and qualified within all areas of the business.

One success story that illustrates our depots' strategic flexibility and ability to create innovative solutions quickly is our vehicle hardening initiative. Our Marines and their vehicles continue to be attacked with Improvised Explosive

Devices (IED). Our depots have quickly responded and developed solutions to armor our vehicles, thus protecting our most valuable asset, our Marines. Our depots performed design analysis, contracted for steel and cutting of armor plating, fabricated and delivered up-armor kits into theater, all within 28 days, from the initial 1,837 order. To date, they have fabricated over 10,000 armor kits, to include gunner shields and various vehicle kits, and continue to explore state-of-the art technology for future applications. Their efforts have been attributed to saving the lives of many Marines. However, this success has potential negative ramifications. These vehicles were never designed to carry the extra weight, which may be increasing fatigue on the vehicles sooner than anticipated.

Our depots continue to implement best business practices, such as Theory of Constraints (TOC), LEAN Thinking (LT), ISO 9001:2000 registration, and leverage technology to increase efficiency and effectiveness. These improvements have reduced repair cycle times for major commodity lines such as the Logistics Vehicle System (LVS) family of vehicles and Light Armored Vehicles (LAVs). For example, the repair cycle time for the LVS MK-48 family of vehicles has gone from 167 days to 58 days, thus increasing our production from five to 10 vehicles per month.

The readiness of our forces continues to be high.

Currently, the overall readiness of operating forces in-theater is 94%. However, readiness comes at a price. Aging equipment, high usage rates and austere conditions will clearly translate to greater maintenance requirements in the future.

Our depots continue to prove their capability to meet surges in demand. We have developed several partnerships with industry to optimize our capability and maximize return of assets to the warfighter. We also constitute our Maritime Prepositioned Force (MPF) equipment, that requires less than depot level repair, through a successful Prime Contractor Relationship with Honeywell Corporation. We will continue to aggressively seek partnerships to complement depot capacity to meet Marine Corps requirements. In addition, we have already increased our throughput by extending shifts, adding shifts, and hiring additional personnel. Since February 2004, we have hired and trained 170 temporary employees as an investment in our human capital and future.

We have positioned Liaison Officers in Iraq to evaluate equipment condition. These Marines not only provide our depots with information that is used for planning but they also keep the battlefield commanders informed with details regarding logistics support, such as expedited delivery status of urgently

needed items, systemic maintenance concerns, evacuation of combat equipment, and delivery of vehicle armor kits.

Funding Situation

Presently, the FY05 proposed depot maintenance budget for the Marine Corps is \$114.2M. Although this funding level provides adequate support of our peacetime needs given fiscal constraints, it will not support the significant amount of maintenance that will be required for equipment returning from theater. \$71M of the FY04 Supplemental was allocated to address a portion of our depot maintenance requirements arising from OIF-I combat battle damage. A large share of this funding was used to send our Marine Corps M1A1 Main Battle Tanks to the Army's Anniston, Alabama Depot for repair and rework. Since then, our continuous monitoring of the stress on our ground equipment due to the operational challenges from OIF-II caused depot work to increase dramatically. The Marine Corps will conduct a depot maintenance conference next month to identify preliminary GWOT-related unfunded depot work that exists.

In addition to assets requiring depot level repair, we need to replace the combat capability lost as a result of combat equipment losses. However, in many cases a production line replacement is not an option. A prime example is the Light Armored Vehicle (LAV), which is no longer in production. Instead, we are salvaging the "best of the worst" and sending

them through our organic depots for rebuild. Based on the extensive damage sustained, the repair costs will far exceed that which was planned. We are analyzing the best solution to ensure we can repair and return that equipment back to our Marines as quickly as possible.

Future Operations

The Marine Corps is aggressively pursuing new initiatives and outside sources to maintain and repair our combat equipment in theater. For example, in Iraq, First Marine Expeditionary Force (MEF) is working with the Army Materiel Command (AMC) to identify mutual support arrangements. While there is little depot maintenance capability currently in theater, we will continue to leverage the advantages gained from this partnership.

Additionally, we are exploring the potential for conducting depot level maintenance overseas to reduce the amount of equipment rotation to CONUS for repair. Unfortunately, the industrial infrastructure in Iraq is very limited so we are taking advantage of Contractor Logistical Support arrangements, such as Oshkosh and Caterpillar of Kuwait. Further, we are experimenting with conducting depot level maintenance in other theaters. For instance, we have recently shipped two vehicles (M931 Tractor and M970 Tanker/Trailer) from Okinawa Japan to an Army run maintenance facility at the Materiel Support Center-

Korea as a test case to assess the degree of depot level maintenance that can be accomplished in that theater.

Finally, the Marine Corps is developing a Total Life Cycle Management Assessment Tool that is scheduled for completion later this summer. It will integrate equipment usage rates, combat losses, and cost factors from our operating forces, program managers, and our Marine Corps Logistics Command. This tool will provide a baseline from which sound, prudent, mission-focused Marine Corps management decisions can be made regarding equipment investment for maintenance and/or new acquisitions. It will substantially improve our enterprise-wide decision-making process.

The Marine Corps depots continue to serve the Operating Forces and the American taxpayer well. Their role in protecting Marine forces and returning critical equipment and assets to the fight are truly admirable.

Conclusion

In conclusion, I would like to again thank the members of the Committee for their continuing support of the Marine Corps, and for the opportunity to address the status of our Marine Corps. The young men and women of your Marine Corps, the good stewards of the trust and commitment that this Nation has bestowed on us, are doing an exceptional job in Operation IRAQI FREEDOM II, Operation ENDURING FREEDOM, and around the world.

Their accomplishments and successes are a direct reflection of your continued support and commitment to maintaining our Nation's expeditionary warfighting capability.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

JULY 20, 2004

QUESTIONS SUBMITTED BY MR. HEFLEY

Mr. HEFLEY. In light of the amount of increased depot maintenance facing the military services, particularly the Army and Marine Corps, what actions are being taken to ensure the military services continue to comply with 50/50?

General STEVENSON. The Army is closely monitoring compliance with 50/50 requirements, including the impact of reconstitution workload. Currently we project that we will end FY04 within the 50% limit for contract workload. We are aware that the increased workload in FY04 and FY05 will potentially affect our contract/organic split, and that the distribution of this workload must therefore be managed closely. The Depot Maintenance Corporate Board and the Depot Maintenance Execution Council receive regular reports on 50-50 compliance status, and will direct corrective action if the Army is in danger of exceeding the limit.

The portion of the increased workload being directed to our organic facilities is significant. To accommodate this workload, our CONUS depots have added second and third shifts, added additional production lines, increased overtime, hired new personnel, and implemented process improvements.

Admiral HUGEL. The Department of the Navy continuously monitors 50/50 projections to ensure compliance. The Department of the Navy conducts "headroom" sensitivity analyses by recalculating the public/private split based on the latest projected funding obligations and de-obligations to determine the net effect on the 50 percent limitation for contracted workload. A major contributing factor on 50/50 compliance is supplemental funding for execution in the private sector. Actions taken would depend upon the amount of time remaining in the fiscal year, the amount of workload in the private sector, and the amount of available capacity in the public sector.

General WETEKAM. As a result of breaching the 50 percent limitation on contract workloads in 2000 and 2001 and requiring waivers to Section 2466, the Air Force has taken the following actions:

- Establishment of a buffer equal to two (2) percent of the total depot maintenance workload, which permits the Air Force to manage its contract workload to not-to-exceed goal of forty-eight (48) percent of total annual depot maintenance workload. Exceeding this two percent "Management Reserve" drives actions within the Air Force prior to approval of new or increases in existing contract workloads.

- Continual tracking of the organic and contract depot maintenance workload mix, based on new programs requesting source of repair approval or existing programs changing their organic or contract workloads.

- Establishment of a forum called the Depot Maintenance Review (DMR) to address potential contract workload shifts or cancellations as a result of contract workloads exceeding the 2 percent Management Reserve level.

General KELLY. The Marine Corps anticipates no difficulty in continuing to comply with 50/50 even with an increased depot repair requirement as a result of OEF/OIF. As of the 3rd Quarter 2004, the Marine Corps remains well below the 50% limitation with a ratio of 73% organic and 27% contracted.

Mr. HEFLEY. There have been suggestions that the Office of Secretary of Defense disagrees with service assessments on depot maintenance requirements and the costs to fund the requirements. Is there truth to these disagreements and what is the underlying difference of opinion?

General STEVENSON. I don't think there is any basic disagreement about what weapon systems and equipment should be restored for further use in Iraq or elsewhere in the Global War on Terrorism. If we had no constraints on money or time, the Army and the Department of Defense would choose the exact same path—put fully restored or new equipment in the hands of every soldier, with all the latest technology. Since there is a limit on both funds and time, there can be a divergence of opinion on exactly what depot maintenance is done and what is deferred; but we resolve those differences and don't allow them to deteriorate our ability to perform our mission.

Admiral HUGEL. There is a validation process for all requirements, which are reviewed and funded on a priority basis. There is no fundamental disagreement between the Navy and OSD on requirements and the cost to fund the requirements.

General WETEKAM. We are not aware of any disagreements or differences on depot maintenance requirements and costs to fund requirements.

General KELLY. The Marine Corps is not aware of any disagreements with the Services' assessment of depot maintenance costs. In fact, in February 2004, OSD (PA&E) initiated a study to determine the effects of the heightened OPTEMPO on military equipment to include increased total maintenance. The model applied by the Marine Corps was established by OSD and validated post DESERT STORM. The Marine Corps continues to coordinate with OSD to report the impact the increased demand has had on our equipment.

Mr. HEFLEY. What depot maintenance capability is available in Iraq and Kuwait?

General STEVENSON. Each of the Army Materiel Command's Major Subordinate Commands (MSC) have deployed capabilities to both Iraq and Kuwait based upon operational needs statements from the Theater. The MSCs' capabilities are being provided through depot civilian teams, contractor teams, and special military organizations assigned to Army Materiel Command Southwest Asia (AMC-SWA). The AMC-SWA support currently falls into three categories—technical assistance, maintenance augmentation, and sustainment maintenance. Our technical assistance enables the units to maximize their organic maintenance capabilities. We are also augmenting the war fighter's organic maintenance capabilities at their request by providing the HMMWV Support Center and Heavy Wheeled Vehicle Service Center in Balad and are in the initial stages of establishing the Equipment Support Activity in Balad to provide sustainment support to the Stay-Behind Equipment Sets. Our sustainment maintenance currently focuses on repair of components to be returned to the Supply Support Activities in theater, tactical power generator overhaul through the Original Equipment Manufacturer dealerships in Kuwait, and Firefinder Radar sustainment by the Tobyhanna Depot Team in Balad. Although the Aviation and Missile Command, Communications-Electronic Command, and Tank-automotive Armaments Command Forward Repair Activities are only facilitated to perform a limited number of critical depot level tasks, they are making a major contribution to the Theater's sustainment and readiness.

Admiral HUGEL. There are no existing depot maintenance capabilities in Iraq and Kuwait for ship maintenance. Depot level repairs, which are considered emergent voyage repairs, are typically conducted at facilities located in Bahrain and neighboring countries. Aviation depot maintenance capability currently exists in Kuwait to perform preventative depot maintenance actions. Additionally, aviation depot maintenance capability is expected to be in place in Iraq by February 2005.

General WETEKAM. We currently do not have depot level maintenance capability in either Iraq or Kuwait. We do, however, have a depot engineer assigned to Al Udeid Air Base to provide assessment of our aircraft depot level needs/requirements throughout the theater.

General KELLY. The Marine Corps (I MEF) is evaluating in-theater depot maintenance alternatives to include alignment with the Army for common-type repairs as well as potentially co-location of USMC ground and aviation depot repair capability. Both options are currently under review with teams in theater to conduct feasibility studies and a cost benefit analysis. For example, in Iraq, First Marine Expeditionary Force (MEF) is working with the Army Materiel Command (AMC) to identify mutual support arrangements. While there is little depot maintenance capability currently in theater, we will continue to leverage the advantages gained from these partnerships. Additionally, we are exploring the potential for conducting depot level maintenance overseas to reduce the amount of equipment rotation to CONUS for repair. We are also taking advantage of Contractor Logistical Support arrangements, such as Oshkosh and Caterpillar of Kuwait. Further, we are experimenting with conducting depot level maintenance in other theaters. For instance, we have recently shipped two vehicles from Okinawa Japan to an Army run maintenance facility at the Materiel Support Center-Korea as a test case to assess the degree of depot level maintenance that can be accomplished in that theater. We will continue to explore every feasible option to ensure material is maintained in the most effective and efficient manner.

Mr. HEFLEY. How much equipment is in theatre and what is the proposed time frame for equipment to be rotated out of theater and into depot maintenance facilities?

General STEVENSON. The Army is supporting the equivalent of more than 15 brigades worth of equipment in Iraq, plus additional support units above brigade and division echelons. We have planned on as much as 15% of this equipment requiring depot level repair or overhaul after a year in theater. The Army supports their equipment through a combination of in-theater support (contract and government), Army Depot support, and contract maintenance in the U.S. Our plan for restoring equipment includes some "stay-behind" equipment which is readied for the next

user through mostly below-depot maintenance, but some selected depot level tasks, and an aggressive Depot Reset program. The Reset Program will continually provide restored vehicles, aircraft, weapons, and missile, communications and electronic systems back to the deploying and re-deploying units. As an illustration of its scope, we have completed over 66,000 of a planned 114,000 small arms, 323 of 866 aircraft, and 287 of 465 tracked vehicles that have been planned so far. As equipment is inspected, more items will be identified and planned for maintenance.

Admiral HUGEL. Currently, there is one Carrier Strike Group and one Expeditionary Strike Group and their associated airwings in theater. These groups have deployed on their anticipated deployment date and will return to their respective homeports within 6 months. Upon return to homeport, scheduled depot maintenance availabilities will be conducted.

General WETEKAM. No significant change in planned depot requirements is anticipated at this time. The Air Force process is driven by operational MAJCOM requirements. Programmed depot requirements are based on current operating scenarios. Known changes in workload are accommodated as they occur. Our programmed requirements include an estimate of unscheduled maintenance based on history and current indicators.

General KELLY. Approximately 30% of Marine Corps war fighting assets are deployed to support OIF II (Communications/Electronics 29%; Engineer 29%; Motor Transport 33%; Ordnance (weapon systems) 30%). As stated earlier, we are exploring the potential for conducting depot level maintenance overseas to reduce the amount of equipment rotation to CONUS for repair. Heightened OPTEMPO will continue to increase the need for maintenance to include depot repair. The timeframe for equipment rotation out of theater and into maintenance facilities is currently under evaluation with a focus on replenishing USMC capability lost due to combat losses and/or heightened demand/usage of our equipment. The outcome will consider the total life cycle management solution to include organic repair both internal to the USMC and other Service's capability, outsourcing to private industry, increased production line acquisitions, commercial derivative acquisitions, or acceptance of some level of degraded mission performance until a future solution is identified (e.g. follow-on technology). The end objective is to maximize the output leveraging the combined maintenance capability available to the Marine Corps.

Mr. HEFLEY. Have you thus far received the anticipated Global War on Terrorism (GWOT) workload you expected in fiscal year 2004?

General STEVENSON. We expect to complete for fiscal year 2004 an amount of work that is close to what we anticipated. There have been some changes in how and when we accomplish the work and in the particular mix of work that we will accomplish. First, some of the rotations of troops back home were delayed enough to affect the schedule to restore their equipment that needed depot level maintenance. We adjusted for this in a number of ways: We have inducted equipment assets from sources other than the returning units, such as from unserviceable stock already at the depots, or from non-deployed units. We have also scheduled some work later, but at a higher production rate, allowing us still to complete the total workload within the scheduled time. And we have met the requirement for equipment by combining some plans for restoring the equipment with already existing plans to recapitalize the same equipment and with other plans to form and equip new, modularized Army units. The other noticeable change was in the mix of work we actually need to accomplish. For example, the emergence of the up-armored HMMWV as a vehicle-of-choice, in part because of unexpectedly high incidence of attacks on these vehicles, caused us to greatly accelerate the production and application of the armor kits, a workload we didn't originally predict. The same sort of thing happened with the depot level maintenance of small arms. In both these cases, because we had the core capability and the ability to quickly expand, we are accomplishing the workload.

Admiral HUGEL. The current depot level workload in support of ship and aircraft maintenance as a result of GWOT, for both public and private facilities, has been in line with previous workload projections and has been successfully addressed.

General WETEKAM. Yes. That workload has been incorporated into our existing depot maintenance customer orders for FY04.

Mr. HEFLEY. To what extent are the services relying on public-private partnerships or inter-service teaming efforts?

General STEVENSON. The Army, as of our last report to the Department of Defense, had 65 active Public-Private Partnerships for the performance of depot level maintenance. These represented a range of programs from some in the small thousands of dollars to those in the tens of millions. Although these are a relatively small percentage of our overall programs—for all of the Department of Defense, they comprise about 2.5% of expenditures—the Army has some very key partner-

ships, particularly for combat vehicles and for helicopters. Because we have these in place, we have been able to greatly increase production at the depots with the full support of our commercial partners. As for inter-service teaming efforts, we have a few instances—only 13 fairly small programs totaling \$22 million for FY04—where Army work is going to other services. On the other hand, at least ten times that much work comes into our depots yearly from the other services. For instance, Tobyhanna Army Depot's peacetime workload is often more Air Force than Army, all of the Marines' depot work on tanks goes to Anniston Army Depot, and Corpus Christi Army Depot does considerable helicopter airframe, engine and transmission work for both the Navy and the Air Force.

Admiral HUGEL. The latest 50/50 report to Congress projects the Department of the Navy will rely on Center of Industrial and Technical Excellence (CITE) public-private partnerships for an average of \$35M (0.4%) per fiscal year under the 10 USC 2474 and other contracting authorities. DoD depot maintenance policy emphasizes aggressive use of inter-service maintenance support whenever increased economy to the government will result and when such support is consistent with operational requirements. Under the current Depot Maintenance Inter-service (DMI) Program concept, the Navy utilizes inter-service capabilities in compliance with this policy. In FY 2003, the Navy depots received \$76M of orders from other DoD agencies, and the Navy sent \$98M of depot maintenance orders to other DoD agencies. However, the Navy has not participated in any inter-service "teaming" efforts per se.

General WETEKAM. Our acquisition and sustainment communities are committed to pursuing public-private partnerships and interservice teaming to optimize warfighter readiness at best value. Each approach has provided a means to reduce the logistics cost and requirements for new weapon systems. Public-private partnering and interservice efforts greatly enhance the industrial capability of each Center of Industrial and Technical Excellence (CITE) for optimal sustainment of fielded systems. Currently these efforts have resulted in 27 active depot maintenance partnerships valued at \$4.5 billion and 51 developing depot maintenance partnerships for new and fielded systems.

General KELLY. The Marine Corps Logistics Command and Marine Corps Systems Command have several partnerships in place to optimize our capability and maximize return of assets to the warfighter. We also constitute our Maritime Prepositioned Force (MPF) equipment, that requires less than depot level repair, through a successful Prime Contractor Relationship with the Honeywell Corporation. We will continue to aggressively seek partnerships to complement depot capacity to meet Marine Corps requirements. In addition, a large share of our depot maintenance funding is used to send our Marine Corps M1A1 Main Battle Tanks to the Army's Anniston, Alabama Depot for repair and rework.

Mr. HEFLEY. A recent GAO report noted that the military departments continue to have significant issues with the quality and completeness of the 50-50 reporting. GAO noted particular problems with the Marine Corps' data, i.e., reporting private sector funding as public, wrong year data, and systems command not reporting depot-level maintenance. What actions can be undertaken to improve the quality of this mandated accountability for the allocation of depot maintenance funding between the public and private sectors?

General STEVENSON. The Army is taking a number of steps to improve its 50-50 reporting accuracy and completeness. First, our annual training is being improved. In October of this year, two multi-day training courses will be held at Fort McPherson, GA to ensure that field personnel responsible for developing the 50-50 data are familiar with legislative and regulatory requirements, as well as the automated processes for consolidating the data. The training courses will emphasize lessons learned from past reports, especially detailed editing of data and comparison with other data sources, and inclusion of nontraditional depot maintenance such as recapitalization and reconstitution, the National Maintenance Program, contract field teams, and forward support activities. Second, we continue to improve our automated Depot Maintenance Operations Planning System so that the major portion of our data can be collected directly from master data sources with a minimum of manual intervention. Third, we are updating and expanding our directions to the field on data reporting processes.

Admiral HUGEL. The Navy has annually utilized the Naval Audit Service to perform independent third party review of 50-50 data to improve quality and completeness of reporting prior to submission. Furthermore, the Navy has worked closely with GAO to address improved reporting quality by incorporating lessons learned from prior years into more comprehensive reporting guidance. Additionally, emphasis has been placed on wide distribution of the 50-50 data call within Navy reporting

organizations, retention of funding documents to support follow up audit reviews, and calling for negative responses.

General WETEKAM. The Air Force is continually attempting to improve its data collection process to ensure accuracy in our estimates of Section 2466 compliance. To that end, the Air Force data collection process features the following:

- A single point of contact at each reporting center is also responsible for all aspects of the 50/50 data reporting process for that center.
- A formal, standardized set of depot maintenance reporting procedures and an electronic reporting model for all Air Force centers involved in the data reporting process.
- An annual 50/50 Lessons Learned and Planning Conference that serves as an opportunity for training, addressing issues from previous reporting cycles, and for updating guidance for the next reporting cycle.
- Periodic visits to each center to conduct data collection process training and to validate reporting methodologies for individual programs.

General KELLY. The Marine Corps acknowledges we have previously experienced a high error rate with our 50-50 reporting; however, we have taken corrective actions to improve the quality and accuracy of future reports. Specifically, we have significantly heightened our internal controls by establishing a single point of contact to review and consolidate individual Program Manager's input into Marine Corps Logistics Command's (MCLC) report coordinator. MCLC has also established internal procedures to review the overall 50-50 data prior to submitting the consolidated report to Headquarters, Marine Corps. These two recently implemented initiatives have significantly improved the accuracy and timeliness of Marine Corps 50-50 reporting.

Mr. HEFLEY. The depots, particularly the Air Force, have increased costs for parts and materials. Why is this the case? Have the services performed an analysis to determine why parts are increasing in costs?

General STEVENSON. The parts and materials costs as a fraction of total cost to repair an item have tended to go up for vehicles and for aircraft, although not so much for other items. This is mostly because of using more parts and material, not because of much higher individual prices. We have looked at this, and it happens for three separate reasons. First, on many of our high priced components—engines and transmissions for tanks and helicopters, for instance—we have adopted a higher standard of maintenance, each overhaul requiring new replacement of many more parts, giving the component a new expected life. We are tracking these closely, as they should pay back the higher investment in parts with a demonstrably longer life. Second, the condition of returning equipment from the war zones tends to be much worse than normal wear and tear, resulting also in more parts replacements and higher material cost. Third, if we have an actual shortage of a part, we sometimes have to borrow parts from an item awaiting repair to complete a higher priority repair. This leads to the lower priority item having more parts replaced in the end than it would have otherwise, and makes it appear at that time that total parts costs are rising.

Admiral HUGEL. Cost analysis of parts and materials is ongoing. Increased replacement factors due to aging aircraft/systems, Original Equipment Manufacturers no longer producing legacy parts/materials, and limited vendor sources for legacy systems contribute to increased costs.

General WETEKAM. Spare parts used in depot maintenance are funded through the Working Capital Fund. This fund is designed to break even over the long run by applying a price increase in the form of surcharge to parts pricing. The surcharge recovers prior year losses in the Working Capital Fund and maintains the seven to ten day required cash level in the fund. In the past, the AFWCF expense baseline used to set rates did not keep up with changes occurring with the weapon systems it maintains. The AF made a conscious effort in FY03 and FY04 to realign the baselines properly. Doing so resulted in short term increases, however, the FY05 and FY06 rate increases are the lowest in several years. The actions taken by the AF to address the problem of inaccurate expense baselines have allowed better cost and budget forecasting and has reduced turbulence in the O&M accounts that supply a large portion of the AFWCF revenue.

General KELLY. For the Marine Corps, analysis has shown costs for parts and materials have increased as expected due to normal inflation factors, with no evidence of unexplainable price increases. However, repair costs for weapon systems returning from Global War on Terrorism (GWOT) operations in the Middle East have increased. This is due to wear, tear, and damage caused by extremely harsh desert conditions not normally experienced in other areas of operation.

Mr. HEFLEY. In your written statement, page 5, you explain that \$71 million the Marines received from the fiscal year 2004 supplemental was allocated to address a portion of your depot maintenance requirements from OIF-1. What is your unfunded requirement from OIF-1? What will be your funding requirement from OIF-2?

General KELLY. An analysis of all GWOT attributable recoverable item reports processed by our depot before the start of OIF II shows that over \$182M of additional depot maintenance workload was generated as a result of OIF I. The most urgent piece of this increased workload has been addressed via the \$71M received in FY04 supplemental. Since the beginning of OIF II, an additional \$234M of depot work has either been generated or projected through FY05 within the GWOT theater. The most pressing portion of this will be addressed using \$43M of the FY05 Title IX funding provided in the FY05 Appropriation Act. Although the Marine Corps has targeted the application of all supplemental funding at only the most urgent of priorities, a sizeable roll-over portion of GWOT generated depot workload remains unfunded from both OIF I and OIF II.

Mr. HEFLEY. In your written statement, page 6, you explain that the Marine Corps is exploring the potential for conducting depot level maintenance overseas. Would this be contractor-supported depot maintenance?

General KELLY. The Marine Corps is aggressively pursuing new initiatives and outside sources to maintain and repair our combat equipment in theater. The Marine Corps is evaluating in-theater depot maintenance alternatives to include alignment with the Army for common-type repairs as well as potentially co-location of USMC ground and aviation depot repair capability. Both options are currently under review with teams in theater to conduct feasibility studies and a cost benefit analysis. Also, we will continue to leverage use of Contractor Logistics Support arrangements in theater where possible. For example, negotiations are ongoing to position a contractor in Iraq to conduct depot level Contractor Logistics Support for Dragon Eye systems. We expect to have the vendor representative in place by mid-October 2004. Last, we continue to maximize use of the Army run maintenance facility at the Materiel Support Center-Korea.

Mr. HEFLEY. In your written statement, page 6, you state that the industrial infrastructure in Iraq is very limited, so you are taking advantage of contractor logistics support arrangements such as Oshkosh and Caterpillar of Kuwait. What are these arrangements? Are these Marine Corps awarded contracts? Does the Corps incorporate the cost of this work into its 50/50 allocation?

General KELLY. The contractor logistics support arrangements in place are designed to perform maintenance that is unrelated to depot level maintenance. For example, Oshkosh has Field Service Reps in country to provide warranty support. Their facility in Kuwait has been contracted to install Armor Kits for the 11th, 15th and 31st MEUs enroute to Iraq. Since this work is not depot level maintenance, it does not meet 50-50 reporting criteria.

QUESTIONS SUBMITTED BY MR ORTIZ

Mr. ORTIZ. The reason I asked you this question is that when I visit some of the depots and we talk to temporary employees, they see that they perform an outstanding job performance, taking care of our men and women in the front lines in harm's way, but it seems to me that we don't take care of temporary employees because they cannot provide to their families in the form of maybe health insurance and some of the benefits. Does this discrepancy hurt the morale of the employees?

General KELLY. Yes, this discrepancy does hurt the morale of the employees, and it often hinders the hiring of a more qualified person. Many applicants cannot accept a temporary appointment because health benefits are not an option during the first twelve months of employment. Temporary appointments are dependent on workload requirements. However, the Marine Corps is constrained and must comply with OPM regulations when hiring temporary or term employees.

Mr. ORTIZ. I see you specifically mentioned that the Marines have hired temporary employees as a way to deal with the surge in requirements. What level of benefits do Marine Corps temporary employees enjoy? And I know that some of them now have been temporary for some time. Maybe you can enlighten me a little bit on that.

General KELLY. The Marine Corps has historically utilized temporary and term employees to expand its depot maintenance workforce to fill changing short-term needs. This avenue allows the flexibility required with ever-changing workload requirements. Due to an increase in depot level maintenance requirements and vehicle

hardening efforts as a result of OEF/OIF, the Marine Corps has hired 170 temporary employees since February 2004.

The Marine Corps is required to follow OPM guidelines when hiring temporary or term employees. Based on these guidelines, employees hired under a temporary appointment, not to exceed a year, can be extended for one additional year for a total of 24 months. They are not entitled to health or life insurance the first twelve months, but are entitled to leave benefits. If they are extended beyond the initial year, temporary appointees can get health and life insurance; however, they are responsible for the full premiums. They are not covered under the current retirement system (FERS) but pay into Social Security.

Other employees hired under a term appointment are hired for more than a year initially, but cannot be extended beyond 48 months of employment. They are entitled to health and leave benefits and are eligible for life insurance just as a permanent employee would be. Term employees are covered under the current retirement system (FERS) and they pay into Social Security.

Mr. ORTIZ. Are we providing health benefits and other benefits to these temporary employees now?

General KELLY. According to OPM guidelines, temporary employees hired under a temporary appointment, not to exceed one year, are not entitled to health or life insurance for this period, but are entitled to leave benefits. If they are extended an additional 12 months, temporary appointments can get health and life insurance, however, they are responsible for the full premiums. They are not covered under the current retirement system (FERS) but pay into Social Security.

Consider our hiring actions for temporary employees that begin in February 2004, they are not eligible for health or life insurance at this time based on OPM guidelines.

Other employees hired under a term appointment are hired for more than a year initially, but cannot be extended beyond 48 months of employment. They are entitled to health and leave benefits and are eligible for life insurance just as a permanent employee would be. Term employees are covered under the current retirement system (FERS) and they pay into Social Security.



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